

EDUCATION PROPERTY TAX REFORMS IN SASKATCHEWAN (1997-2011):
AN ANALYSIS OF POLITICAL RATIONALITY AND POLICY RATIONALES

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ABSTRACT

This thesis examines a series of reforms to the funding framework for the K-12 education system in Saskatchewan during the past fourteen years. It examines the reforms implemented by three successive New Democratic Party governments from 1997 to 2007, and the Saskatchewan Party government from 2007 to 2011. The reforms implemented by the NDP governments included property tax reassessment, a farmland property tax rebate program, the mandatory amalgamation of school divisions, and an education property tax credit program. The reforms implemented by the Saskatchewan Party government included the extension of the education property tax credit program, major education property tax reform, and the introduction of an interim funding policy.

The central research question is as follows: why did these provincial governments implement these reforms? In answering that question this thesis adopts a rational choice approach that will focus on the elements of political rationality and policy rationales that led these governments to make particular policy decisions.

The key political rationality was their objective to gain and maintain electoral support by responding to the preferred solutions of a broad based coalition of influential advocacy groups within the municipal, agricultural, business and education sectors to what they perceived as problems within the K-12 education funding system. The key policy rationale of these provincial governments was to find a reform option that achieved the preferred mix of policy objectives. These policy objectives included designing and implementing an education funding system that provided adequate and equitable funding for school divisions, achieving an equitable system of property taxation, reducing the tax-load on the property tax base, and finding an appropriate level of accountability and school board local autonomy.

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LIST OF ABBREVIATIONS

APAS – Agricultural Producers Association of Saskatchewan

ATA - Alberta Teachers' Association

EPT – Education Property Tax

FOG – Foundation Operating Grant

MLA – Member of the Legislative Assembly

NDP – New Democratic Party

PARCS – Provincial Association of Resort Communities of Saskatchewan

PC – Progressive Conservative

POV – Percentage of Value

PSBAA - Public School Boards Association of Alberta

SAMA – Saskatchewan Assessment Management Agency

SARM – Saskatchewan Association of Rural Municipalities

SSBA – Saskatchewan School Board's Association

STF – Saskatchewan Teachers' Federation

SUMA – Saskatchewan Urban Municipalities Association

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CHAPTER 1: INTRODUCTION

1.1 Focus and Research Question

This thesis examines a series of reforms to the funding framework for the K-12 education system implemented by successive provincial governments in Saskatchewan during the past fourteen years. Toward that end, it examines the reforms implemented by three successive New Democratic Party governments from 1997 to 2007, and the Saskatchewan Party government from 2007 to 2011. The reforms implemented by the NDP governments include: (a) property tax reassessment in 1997; (b) the farmland property tax rebate program in 2000 and 2001; (c) the mandatory amalgamation of school divisions from 2004 to 2006; and (d) the education property tax credit program in 2005, 2006, and 2007.

The reforms implemented by the Saskatchewan Party government include: (a) the extension of the education property tax credit program in 2008; (b) the major education property tax reform package in 2009 that included the transfer of authority for setting property tax mill rates from the school board to the provincial government, tax relief through a reduction in education property tax mill rates, and increased provincial transfers for education budgets to make up for the revenue lost from lower mill rates; and (c) the interim funding policy in 2009, with a new funding formula planned for adoption in 2012.

The central research question is as follows: why did these provincial governments implement these reforms? In answering that question this thesis adopts a rational choice approach that will focus on the elements of political rationality and policy rationales that led these governments to make particular policy decisions.

The major findings of the thesis are that a combination of political rationality and policy rationales led the provincial governments to implement education property tax policy reforms.

The key political rationality was their objective to gain and maintain electoral support by responding to the preferred solutions of a broad based coalition of influential advocacy groups within the municipal, agricultural, business and education sectors to what they perceived as problems within the K-12 education financing system. The key policy rationale of these provincial governments was to find a reform option that achieved the optimal mix of policy objectives. These policy objectives included designing and implementing an education funding system that provided adequate and equitable funding for school divisions, achieving an equitable system of property taxation, reducing the tax-load on the property tax base, and finding an appropriate level of accountability and school board local autonomy.

1.2 Theoretical Approach

In addressing the central research question, this thesis adopts the rational choice approach. The rational choice approach to political analysis is based on the principle that political actors should be treated as rational utility maximizers (Howlett, Ramesh & Perl, 2009). The process involved in the rational choice approach to decision making is broken down into six key steps by Jones & Olson (1996): 1) Decision makers are confronted with a problem; 2) The objectives guiding decision makers are clarified and ranked according to their importance; 3) The various options for dealing with the problem are identified; 4) Each option is examined in terms of its costs and benefits; 5) The options are compared with each other; and 6) Decision makers choose the option that maximizes the attainment of their objectives. In short, the fundamental premise of the rational choice approach is that decisions are made by authoritative political actors based on rational calculations of the advantages and disadvantages of various policy options for dealing with policy problems. Invariably, analysts concede that the decision makers are operating on the basis of bounded, rather than comprehensive, rationality (Jones, et al., 2006). In making such calculations, the policy objectives of the key political actors are of

paramount importance. The key political actors in this thesis include the provincial government and influential advocacy groups.

Two approaches involved in making these rational policy decisions are examined in this thesis, namely political rationality and policy rationales. Political rationality refers to the considerations that various policy issues and options have for the electoral objectives of governments. More specifically, it refers to the objective of acquiring and maintaining electoral support (Howlett, Ramesh & Perl, 2009). Within a democratic system, governments seeking to achieve that objective have to be particularly attuned and responsive to the preferences of influential advocacy groups. In dealing with reforms to the education funding system in Saskatchewan, the provincial government had to be responsive to the preferences of several highly institutionalized and influential advocacy groups within the municipal, agricultural, business, and education sectors. The key advocacy groups within the municipal sector were the Saskatchewan Urban Municipalities Association (SUMA), the Saskatchewan Association of Rural Municipalities (SARM), and the Provincial Association of Resort Communities of Saskatchewan (PARCS). The key advocacy groups within the agricultural sector included the Agricultural Producers Association of Saskatchewan, the Tax Action Group, and SARM which had a powerful agricultural as well as municipal lobby. The key business advocacy groups were the Saskatchewan Chamber of Commerce, the chambers of commerce in Saskatoon and Regina, the Canadian Restaurant and Foodservices Association, and the Association of Saskatchewan Realtors. The key advocacy groups in the education sector included the Saskatchewan School Boards Association (SSBA) and the Saskatchewan Teachers Federation (STF).

Policy rationales are used by the provincial governments to legitimate their policy reforms to stakeholders. The term ‘policy rationale’ refers to the logic, rhetorical devices, data,

or arguments that are employed by a decision maker in order to justify a policy decision (Ingram & Schneider, 2011). The policy rationales considered in this thesis include the implicit or explicit positions of the key provincial political actors related to the policy objectives of reform. Policy rationale is therefore rooted in one or more policy objectives. The term *policy objective* is the catch-all term used in this thesis in place of similar policy rationale terms like principles, arguments, outcomes, values, or goals. A substantial portion of the discourse on reforming the funding system for K-12 education was rooted in multiple policy objectives. The most notable of these policy objectives were the following: local autonomy, tax equity, funding equity, tax relief, accountability, balanced education funding, and adequate education funding. Local autonomy in education funding describes the ability of school boards to respond to local priorities, which invariably requires financial flexibility in the spending but also in the raising of revenues (Lawton, 1987; Levin, 2005). Tax equity refers to the objective of achieving fairness in the level of taxation for various categories of ratepayers within and across communities. Property classes are an important category in this regard and include the major property classes of commercial, residential, and agricultural amongst other property classes. Funding equity refers to the objective of achieving fairness in the level of funds available for education purposes in various communities across the province. Tax relief refers to the objective of reducing the overall property tax load for ratepayers. Accountability refers to the objective of achieving transparency, answerability, and responsibility for financial management within the education system (O'Brien & Stapenhurst, 2007; Auld & Kitchen, 2006). Balanced funding refers to the objective of achieving an appropriate ratio in the level of funding from provincial and local sources measured by the standard of key stakeholders. Adequate funding refers to the objective of ensuring that there is predictable and stable funding for all school divisions over time in order to ensure that

unforeseen financing crises or problems are avoided (Auld & Kitchen, 2006). Funding adequacy could possibly be connected to the policy objective of quality of education. A delimitation of this thesis will be to avoid the voluminous discourse and ambiguity surrounding the term *quality of education* by avoiding its use in the discussion of the policy objectives of education property tax reform.

1.3 Elements of Saskatchewan's Education Property Tax System

A full understanding and appreciation of the reforms to Saskatchewan's education property tax system requires an understanding of the basic elements of the property tax system as well as the Foundation Operating Grant (FOG) system for education. The property tax system in Saskatchewan has two key components. The Education Property Tax (EPT) component generates revenues for school boards. The other component of the local property tax system generates revenues for municipalities. Before major reforms to the EPT system occurred in 2009, school boards and municipal governments set the mill rates for their respective portion of taxes on property in Saskatchewan. Although each of them set their own mill rates, municipalities collected the education portion of property tax on behalf of school divisions and then transferred that portion to those school boards (Ministry of Education, March 18, 2009). The property tax system consists of four key components:

1. Property assessment: This is the responsibility of the Saskatchewan Assessment Management Agency (SAMA), whose mandate is to oversee the property assessment system in the province and conduct assessments for all municipalities except the largest cities.
2. The percentage of value (POV): This is the proportion of agricultural, commercial, residential, and other property class values that are available for municipal and education

property taxation. The POV is adjusted by the provincial government at the time of reassessment.

3. The mill rate: The level of taxation applied to the POV-adjusted assessment. The mill rate is set at a level that fulfills the budgetary requirements of municipal governments and school boards. Before 2009, school boards determined the mill rate for their respective divisions.
4. The mill rate factor: This refers to the adjustment that can be made to the property tax levy, allowing municipalities, and formerly school boards, to shift the burden of taxation between property classes without changing the overall level of tax revenue (SAMA, 2008).

The Foundation Operating Grant (FOG) system incorporated the EPT portion of education revenues into a wider education funding allocation system. Provincial funding was distributed to school divisions based on enrolments and local capacity which was measured by using the school division's assessment base (Government of Saskatchewan, April 11, 1997). The FOG was established in 1971 as a means of distributing funds from the provincial general revenue fund to school boards for operational purposes using a formula that takes into account the level of revenues generated from the local property tax base and the level of expenditures needed by each school division (Auld & Kitchen, 2006). The system was designed to provide a measure of local fiscal autonomy for school boards while providing an equalized level of funding for every school division in the province (Lawton, 1987). Since the reforms of 2009, the provincial government and school boards have been engaged in negotiations to produce a new funding formula to replace the defunct FOG system. Like the FOG, the new system will be used

by the provincial government to calculate the level of operating grants that will be transferred to school boards.

1.4 Value of Thesis

This thesis provides a valuable contribution to the academic literature and policy debate on education property tax reform for three interrelated reasons. First, it constitutes the first detailed systematic analysis of the recent reforms to Saskatchewan's EPT system. Second, it is valuable to understand the rationales and implications of reforms to such an important field of public policy. Education is the second largest expenditure area for the province of Saskatchewan at an estimated \$1.43 billion in 2011 (Global [online], March 23, 2011). Education is also very important for social and economic development. It is for this reason that Section 156(1) of the *Education Act, 1995* makes school attendance mandatory for all children aged seven to sixteen. The legislation on compulsory attendance reflects the perceived value of education in developing socialized, trained and productive citizens. The prevailing view is that the social benefits of education exceed the private benefits received by the individual who obtains an education (Auld & Kitchen, 2006). Education develops the human capacity to contribute to economic growth, standards of living, and quality of life. Education is also important for producing the type of educated and informed society that is essential for sustaining democracy.

This thesis is also valuable because it sheds light on the past and current controversies regarding the source and level of funding for the K-12 education system. Education funding issues remain on the policy agenda in 2011 because some elements of the reforms have not been fully implemented. The outcomes of reforms are still subject to uncertainties and problems because the system is in a transitional phase. Media coverage remains high as school boards and

the provincial government clash over annual school budgets, and attempt to reconcile their differences to produce a new funding formula.

1.5 Organization of Thesis

The remainder of the thesis consists of eight chapters. Chapter two places Saskatchewan's EPT reforms in the comparative context of reforms in other Canadian provinces during the past two decades.

Chapters three, four and five analyze the key reform initiatives contemplated or undertaken by NDP governments between 1997 and 2007. Chapter three examines the property tax reassessment of 1997 based on updated market values. Chapter four examines the appointment of a commission in 2003 mandated to review and make recommendations on funding for the K-12 education system. Chapter five examines the school division amalgamation initiative, the EPT credit program, and the strategy involved in funding the tax credit program.

Chapters six, seven, and eight examine the reform initiatives contemplated or undertaken by the Saskatchewan Party government. Chapter six examines the Saskatchewan Party's EPT policy that was articulated in its policy platform for the 2007 election, and how it differed from the NDP policy platform for that election. Chapter seven examines the mandate and recommendations of a task force appointed by the Saskatchewan Party government in 2008. The task force undertook consultations with key stakeholders and produced an issues and options paper related to EPT relief and funding for the K-12 education system. Chapter eight examines the important reform implemented by the Saskatchewan Party in conjunction with the 2009 provincial budget. This reform transferred authority for setting education property tax mill rates from the school boards to the provincial government, provided major property tax relief for ratepayers, and increased provincial transfers for education funding. Chapter eight also provides

a brief analysis of several impacts of this reform on each of the following: the relationship between the provincial government and school boards; the separate school system; the municipal governments; and the property tax ratepayers.

Chapter nine provides a summary and analysis of the major findings. The findings focus on the key determinants and implications of reforms. Political rationality and policy rationales are central to explaining the determinants and implications of EPT reforms. Some suggestions for further research are made based on the implications of the reforms.

CHAPTER 2: EDUCATION PROPERTY TAX REFORMS IN SELECTED CANADIAN PROVINCES

Pursuant to section 93 of the Constitution Act (1867) provincial governments have exclusive jurisdiction for K-12 education. This has empowered them to form and reform the governance and funding frameworks for their respective education systems. In recent decades, many provinces have reformed an important source of funding education, namely the Education Property Tax (EPT) system. One common feature of those reforms has been the transfer of the authority to set the mill rate from local education authorities to provincial governments. This chapter explores the emergence of this trend and the exception to it, namely Manitoba and its distinction as the only province that continues to authorize school boards to set property tax levies that generate a substantial amount of their revenues despite some reforms to the EPT system. Although this chapter devotes some attention to reforms of EPT policies during the past two decades, special attention is devoted to reforms adopted by Alberta and Manitoba. A detailed account of reforms in these two provinces is justified by the fact that they were the provincial policy option comparisons highlighted in the Government of Saskatchewan report that was produced to “explore the benefits and weaknesses of K-12 education funding options” (Reiter, 2009, p. 2).

2.1 Education Property Tax Policies in Canada: An Overview

A mix of EPT policy options existed in Canada when the newly elected Saskatchewan Party government was developing its agenda for major EPT reform in 2008 due to the reforms that had been completed in Canadian provinces (Reiter, 2009). The provincial funding models that existed at that time were based on various combinations of three types of revenue sources: general provincial revenue funding, a provincially-controlled EPT, or an EPT levied by school

boards (Auld & Kitchen, 2006). Full funding from the provincial general revenue fund existed in some provinces, but full funding from the EPT did not exist in any province.

In Saskatchewan and Manitoba, school boards had some unfettered access to the property tax base. The primary difference was that in Manitoba both the provincial government and school boards accessed the property tax base to fund education. The Education Support Levy was the portion of the EPT controlled by the provincial government, and the Special Levy was the portion of EPT controlled by school boards (Henley & Young, 2008). In Saskatchewan, school boards had exclusive authority to impose EPT levies until 2009; when the reform enacted that year by the Saskatchewan Party gave the provincial government control over those levies. The ratio of funding derived from provincial general revenue transfers and local property taxes differed between these two provinces. In 2008, the ratio in Manitoba was 65/35 between funding from the provincial sources, which included general revenue transfers and the provincial Education Support Levy, relative to funding through the local Special Levy. In Saskatchewan, the ratio was approximately 50/50 provincial transfers to local property tax that year (Reiter, 2009). It was not until the EPT reform of 2009 that the 63/37 ratio of provincial general revenue funding and provincially-controlled local property tax funding was achieved in Saskatchewan.

Many provinces had policies that granted their provincial government full authority over education funding. For example, the EPT did not exist in Newfoundland and New Brunswick, as those provinces provided 100% of funding from provincial coffers (Newfoundland Labrador Department of Education, 2010; New Brunswick Department of Education, 2010). To reiterate, funding solely from EPT was not practiced in any Canadian province.

The most common system of funding in Canadian provinces in 2008 was a combination of provincial general revenues and EPT. The combination included either full provincial control

over EPT, or some provincially restricted EPT levied by school boards (Auld & Kitchen, 2006). Provincial governments in Nova Scotia, Ontario, and Prince Edward Island had control over the EPT. In Alberta and British Columbia, school boards could levy a small local property tax if approved by a plebiscite. These measures have never been used in Alberta, and have not been used since 1997 in British Columbia (Dawson, 2008). In Quebec, school boards have gained a small portion of their revenues from the local property tax base, subject to a provincially mandated cap. In all of these provinces, the remaining funding came from the general revenues of the provincial government.

In the 1990s, Alberta and Ontario moved from a system in which the EPT was levied by the school boards, to one in which it was levied by the provincial government. The Alberta and Ontario reforms to the EPT system were implemented in 1994 and 1998 respectively, and have been the most significant and publicized reforms of the past two decades. Alberta's reforms are examined in more detail below because of their influence on all subsequent reforms including the ones in Saskatchewan that are the focus of this thesis.

Table 2-1 Education Property Tax in Canadian Provinces (2008)

Education Property Tax	Provincial Government General Revenue	
	100%	<100%
Non-existent	NL, NB	-
Set by the province	-	*MB, ON, PE, NS
Set by the province w/ discretionary levy available for school boards	—	AB, BC
Set by the school board subject to a provincial cap	-	QC
Set by the school board	-	*MB, SK

*Manitoba appears in two cells because both the provincial government and school boards set an EPT.

2.2 Education Property Tax Reform in Alberta

Ralph Klein's conservative party government prioritized education reform as a component of its deficit reduction platform in Alberta's 1993 provincial election. The type of EPT reform adopted by Alberta in 1994 was adopted in Ontario in 1998 and Saskatchewan in 2009 (Langlois, March 27, 2009; Dawson, 2008). The Alberta Government proceeded with its reform package on January 17, 1994. The reforms included a spending reduction for education of 12.4% over four years, amalgamation of school districts, and shifting control over local property tax from school boards to the provincial government. By removing property taxing authority and moving towards a provincially-controlled uniform mill rate, the government sought to block school boards from increasing EPT mill rates (Evans, 1999). The main policy rationale for reform was to reduce government spending, but interested advocacy groups who had long sought education reforms were compelled to get involved in reforming other aspects of the education system (Levin, 2001).

Governmental and non-governmental stakeholders played a key role in adoption and evaluation of the Alberta reforms. The business community was at the forefront of advocacy groups pushing for change, as it sought to have the education system run more like a business. The Government of Alberta developed reform solutions in concert with such organizations as the Alberta Chamber of Resources, the Chamber of Commerce, and the Conference Board of Canada (Taylor, 2001). The vision for the new education system was laid out in a government 'business plan' and school boards were also asked to produce annual 'business plans'. This new vision of K-12 education was steeped in business principles, and aimed at developing innovative and highly trained young people (Kachur, 1999). Two main groups opposed the reforms. The Alberta Teachers' Association (ATA) mobilized, and engaged in verbal jousts with the Klein

government. In particular, the ATA launched a \$500,000 public awareness campaign against cuts to education (Levin, 2001; Taylor 2001). School boards were also vocal in their opposition to the provincial government's reform agenda. The ATA and Public School Boards Association of Alberta (PSBAA) were united in their criticism of education reform, but they differed on which reform had to be resisted and opposed most strongly (Taylor, 2001). The ATA focussed its attacks on the issue of declining funding levels, while the school boards fought the usurpation of local education property taxing authority.

A policy rationale based on the policy objective of education funding equity was articulated by the provincial government. The provincial government publicized its position of promoting an equitable system in a story in the *Edmonton Journal*, explaining that: "Central control of all education taxes will ensure more equity in the system. Some school districts in the province have more than \$20,000 to spend on each student. Others spend less than \$5000 per pupil" (McConnell, January 21, 1994, p. A1). The equity objective was based on the perception that a disparity in taxable property, and by extension a disparity in financial resources, existed between school districts.

Protection of the local autonomy policy objective, which was sought by the PSBAA, diverged from the government's equity objective. The Alberta public school boards argued that their local autonomy was integral to the democratic system in Canada and that this autonomy was being dismantled (PSBAA, 2011). The PSBAA launched legal action in order to defend their jurisdiction. The organization argued that access to a significant source of taxation was one of four necessary preconditions for local autonomy of school boards (PSBAA, 2011). The public school board's legal strategy was to achieve an equal level of protection to that held by separate school boards under section 93 of the Constitution Act of (1867), which constitutionally

entrenched the right of separate school boards to set a mill rate. Their basic argument was that depriving them of their autonomy was in effect a form of reverse discrimination.

The *Public School Boards Assn. Of Alberta v. Alberta (Attorney General)* case worked its way through three different court systems, culminating in a Supreme Court of Canada decision in 2000. Eleven Saskatchewan school divisions, the Saskatchewan School Trustees Association, and the Attorney General for Saskatchewan all achieved intervener status in the case (SCC, 2000). The Saskatchewan presence in the proceedings signalled that stakeholders in Saskatchewan's education sector believed that this case could have repercussions for their province as well. The appeal by the PSBAA was dismissed by the Supreme Court. The key sentence in the ruling is simple and clear: "School boards do not enjoy reasonable autonomy from provincial control" (SCC, 2000, p. 5). The notable outcome of the PSBAA legal action was its failure to provide school boards with a constitutional basis on which to assert local autonomy in setting the EPT or in any other aspect of revenue generation. Thus, school boards in Saskatchewan that sought to defend their control over EPT had to do it through public policy channels rather than the legal channel of constitutional rights.

2.3 Education Property Tax Reform in Manitoba

The Manitoba Progressive Conservative (PC) government implemented some minor education reforms between 1994 and 1996. In 1995, the government released the action plan, *Renewing Education: New Directions – The Action Plan* (Manitoba Education and Training, January, 1995). The PC party formed a majority government in the 1995 provincial election and then proceeded with the reforms in 1996. Several pieces of legislation were passed by that government that had important effects for the education sector, including increasing the power of the minister of education, limits on teachers' rights in collective bargaining, and requiring school

boards to develop annual plans. Like Alberta's conservative government, Manitoba's PC government was also committed to reducing education funding in an effort to cut public spending (Levin, 2001). However, unlike its counterpart in Alberta, it stopped short of usurping the authority of school boards to set property tax levels.

In 1999 the New Democratic Party (NDP) replaced the PC party as the government in Manitoba. Its principal education reform objective following the election was changing the EPT system to stem rising property taxes. Increased provincial transfers and increased property tax credits were implemented for that purpose, yet local property taxes continued to rise (Henley & Young, 2008). Some groups advocated for full provincial control of education funding, as they argued that the most recent reforms failed to stop or slow the steady rise in property taxes. Notable and influential critics who were seeking full provincial control of education funding included the following: the Manitoba Teachers Society, the Canada Taxpayers Association, the Winnipeg City Council, the Manitoba Real Estate Association, the Association of Manitoba Municipalities, and the *Winnipeg Free Press*. This informal coalition of interests argued that property taxes were too high and that the current system was inequitable, inefficient, and inadequately accountable (Henley & Young, 2008). The equity argument was based on two key objectives: the first was for equity in the funding of school divisions, and the second was for more equitable distribution of the property taxing burden across the province. School trustees, administrators, and superintendents countered that full provincial funding would not achieve a proper balance of policy objectives. These education system officials developed a joint position that equity policy objectives were important, but that at least a portion of education funding had to be derived from the local property tax in order to protect other policy objectives like local autonomy, local accountability, and responsiveness (Henley & Young, 2008).

Manitoba's NDP government resisted pressure to completely remove taxing authority from school boards by introducing a number of targeted reforms. The government used tax credits to ratepayers, funding increases, and a tax incentive grant that could be accessed by school boards who did not raise mill rates. These measures aimed to provide tax relief for ratepayers and reduced reliance on EPT by school boards. The residential portion was removed from the Education Support Levy, which helped cut the property tax burden in half by 2006 (Henley & Young, 2008). The province's education property tax credit was hiked from \$75 in 1999, to \$400 in 2007, and finally to \$700 in 2011 (Henley & Young, 2008; Levin, 2005; Manitoba Finance 2011). In 2008, the government introduced a tax incentive grant that could be accessed by any school boards who did not increase their local property taxes year-over-year (Henley & Young, 2008). The success of these reforms in producing a better education funding system is a matter of perspective. What is clear is that they enabled continued protection of some degree of autonomy for school boards. The NDP government in Manitoba adopted a different approach to EPT reform than the one embraced by Alberta in 1994, by Ontario in 1998, and by Saskatchewan in 2009.

2.4 Summary

This chapter has shown that during the past two decades policy convergence has occurred in most provinces in the funding systems for K-12 education. The trend has been a shift in mill rate setting authority for the EPT from local school boards to provincial governments. Two types of EPT systems now prevail including complete general revenue funding of education with no EPT, or a combination of provincial transfers with provincial control of EPT. The notable exception has been Manitoba where school boards gain about a third of their revenues through a local EPT. The Manitoba government used a variety of policies to decrease the EPT burden on

ratepayers while respecting the taxing authority of school boards. By contrast, Alberta's Progressive Conservative government led by Ralph Klein, which was aligned closely with business interests, removed the authority of school boards to levy property taxes. This particular reform to Alberta's EPT system was challenged unsuccessfully in the courts by the PSBAA. In the absence of legal protection for the authority of the school boards to set the EPT, Alberta's EPT reform model was adopted by Saskatchewan in 2009. The remainder of this thesis will focus on EPT reforms in Saskatchewan and the factors that influenced them.

CHAPTER 3: THE 1997 PROPERTY TAX REASSESSMENT IN SASKATCHEWAN

Education property tax reform has been on Saskatchewan's political agenda for decades. The Saskatchewan Association of Rural Municipalities (SARM) began criticizing the education property tax in the 1960s. In its efforts to gain traction on its bid for EPT reform it coined the slogan 'education should be a tax on people, not property' (D. Harvey interview, 2011). Final reports from the Saskatchewan Local Government Finance Commission of 1986 and the School Finance and Governance Review of 1991 both recommended increasing provincial funding of education from 50% to 60% for the purpose of reducing inequities created by differences in taxation capacity and reducing the local discretion in setting mill rates for education property tax (SLGFC, 1986; Langlois & Scharf, 1991). Scrutiny of the tax was heightened when Saskatchewan properties were reassessed in 1997 for the first time since 1965. Total taxable assessment for Saskatchewan property jumped 363.97% after the 1997 reassessment (SAMA, 1999). Controversy emerged because the reassessment produced shifts in the burden of taxation from one property to another, as well as shifting tax burden from one property class to another. The property classes of primary concern in this thesis are the residential, commercial, and agricultural classes. Further categories and divisions of categories include agricultural pasture land, arable agricultural land, residential property, multi-unit residential, seasonal residential, commercial, industrial, grain elevators, and railway right of ways and pipelines. In numerous individual cases assessment values increased disproportionately. Two other shifts occurred. Agricultural properties began bearing a larger burden of rural EPT bills after reassessment because of a collapse of property values in small towns due to rural depopulation. Also, the value of residential properties in cities was growing twice as fast as the value of commercial properties (Lyons, August 26, 1996; Government of Saskatchewan, February 28, 1997) The large rise in

overall taxable assessment did not produce a proportionate overall increase in property taxes because tax tools were provided by the provincial government to school boards and municipalities to manage the assessment increases. Nevertheless, the reassessment produced conspicuous shifts in tax burden for some properties and shifts in the burden between the residential, agricultural, and commercial property classes.

This chapter examines the reassessment policies established by the provincial government at the start of the reassessment process, the advocacy group positions on these reassessment policies, and the policy prescriptions that the provincial government enacted in response to the positions of advocacy groups. The chapter reveals that the 1997 reassessment was a key provincial government initiative that contributed to increased calls for reforms to the EPT system in Saskatchewan and elevated the position of this reform issue on the policy agenda.

3.1 Key Features of the Reassessment

The Saskatchewan Assessment Management Agency (SAMA) is the independent government agency that was created in 1987 to enhance local government input and control in the administration of the property taxation system in Saskatchewan (SAMA, 1999; Hanselmann 2000). SAMA set the rules for executing and administering the reassessment. The SAMA board of directors included representatives from rural and urban municipalities, school boards, the provincial government, and the professional appraisers who were employed to conduct assessment work. The purpose of the organization was to consult widely on reassessment and represent the interests of participating organizations and their constituents (SAMA, 1999). Pat Atkinson, the Minister of Education at the time, explained during implementation of the reassessment that 85% of elected municipal and school board officials voted at the SAMA annual meeting in 1995 in favour of reassessment being scheduled for the year 1997 (Atkinson,

April 3, 1997). Reassessment was therefore not thrust upon unwilling municipalities and school boards by provincial authority, but instead had received their expressed consent.

Assessment of property began on August 7, 1996. Outdated property assessments were updated to their current market value, resulting in larger assessments in many cases. The process sparked vigorous debate by stakeholders until it was completed. Municipalities were legally required to deliver assessment notices no later than January 1, 1997. The Government of Saskatchewan released its property tax policy regulations on October 15, 1996, establishing the rules for implementation. Two sets of policies were included in these regulations (Government of Saskatchewan, October 15, 1996). The first policy was the tax tools that would allow municipal governments to manage the tax shifts. Three tax tools were used. First was a mill rate factor, which allowed municipalities to shift the burden of taxation between property classes. Second was a tax phase-in, which permitted municipalities to gradually implement new assessment values over the course of three years. The third tool was a minimum tax, which authorized a municipality to set a minimum level of taxation for any property class. The tax tools shifted some accountability over the impact of reassessment on ratepayers from the provincial government to the municipalities.

The second set of policies introduced on October 15, 1996 was the provincial percentage of value (POV) regulations for the eight property classes (Government of Saskatchewan, October 15, 1996). The POV precedes the assessment stage of property taxation. As the Minister of Municipal Government explained in a press release at the time, POVs and property classes “cushion the tax shifts” by determining what percentage of the assessed value of a property will be taxable by school boards and municipalities (Lyons, August 26, 1996, p. A7). The POVs were as follows: Agricultural pasture land was set at 50%; arable agricultural land at 70%; residential

property at 75%; multi-unit residential at 85%; seasonal residential at 70%; commercial and industrial properties were set at 100%; grain elevators at 60%; and railway rights of way and pipelines at 70%. Like the mill rate factor, the POVs are weighted to reflect a government's political objective of *who pays what*. Determining *who pays what* requires the exercise of political judgement on the matter of taxation equity. The flexibility and responsibility to decide what is a fair percentage of taxable assessment, or a fair tax levy on one type of property relative to another type of property, is a deliberate political decision. The policies and outcomes of the 1997 reassessment were complex, vulnerable to political action at the local and provincial levels, and tied into the wider structure of municipal and education funding (Garcea & Gilchrist, 2009). For these reasons, numerous advocacy groups produced public positions on the reassessment with the aim of influencing provincial policy responses.

3.2 Advocacy Group Reactions to Property Reassessment

A number of groups had an important stake in the reassessment process. Three of the stakeholders that articulated public positions on the reassessment were organizations that represented different property classes. Resort owners, the business lobby, and agricultural producers were concerned about the seasonal residential, commercial, and agricultural property classes respectively. School boards and municipal governments were also involved, but they were set apart by their status as local governing bodies mandated with setting a mill rate that applied to the property classes.

The most vocal group during the reassessment was the farmers who had a strong interest in what would happen to the agricultural property classes. SARM defended the interests of rural municipalities and their agricultural constituents. The organization was aware of the demographic trends that were punishing rural property tax ratepayers. A decline in the

importance of grain elevators and the related trend of depopulation of towns and villages shifted the tax burden to farmers who formed the remaining component of the tax base of rural school divisions (G. Klein interview, 2011; K. Pontikes interview, 2011). A large hike in farmland assessment was anticipated, as these properties had long been undervalued, which contributed to a large rise in assessment value in rural areas. Assessment in rural municipalities jumped 483.33%. This was a much higher increase than any other property class, including the 311.30% rise in cities; a jump of 252.89% in resorts, towns, and villages; the increase of 298.18% in urban municipalities; and the increase of 325.99% in northern municipalities (SAMA, 1999). The provincial percentages of value for the agricultural classes sought to soften this blow by setting agricultural POVs at 50% and 70%, compared to the higher POV of 75% on urban residential property and 85% on multi-unit residential property. Nonetheless, the sense among farmers was that their property taxes were about to become much higher. A resolution at the SARM convention of 1997, called on all municipalities to refuse to implement the 1997 reassessment because it was argued that the tax tools provided by the province did not remedy the shift in education taxes (Lyons, March 10, 1997). Substantial reform of EPT was also advocated at this time by SARM president Sinclair Harrison. Harrison called on the provincial government to “take responsibility for schools” (Scott, December 19, 1996, p. A9). It’s not clear if Harrison was advocating for full provincial general revenue funding of education, or removal of the taxing authority of school boards through implementation of a provincial EPT mill rate. Either way, it was SARM’s position that the local autonomy of school boards should be sacrificed in favour of what they argued would be the more equitable system of provincially controlled education funding.

The Provincial Association of Resort Communities of Saskatchewan (PARCS) represented the seasonal residential class of ratepayers. PARCS supported the reassessment, but in the autumn of 1996 called on the Government of Saskatchewan to exclude non-permanent resort cottage owners from the EPT base (Paulson, October 28, 1996). PARCS argued that seasonal residential EPT was inequitable, because school taxes made up 20% to 50% of urban assessments, while resort owners were paying 60% to 80% of their property taxes to school boards (Paulson, 28 October 1996). PARCS feared a spike in education property taxes due to the reassessment, and therefore sought a larger share of the provincial grant pool to help alleviate the property tax burden. Resort owners also argued that the EPT lacked accountability because seasonal residential property owners were not permitted to vote in school board elections, run for a school trustee position, or send their children to schools in the school division in which their resorts were located (Paulson, October 28, 1996). The seasonal residential property owners were tied to the school division in which their primary residence, not their seasonal residence, was located.

The business lobby of the commercial and industrial property class was also critical of EPT policy during the 1997 reassessment. A number of different coalitions were formed amongst business associations. One such coalition was the Saskatoon Tax Freeze Committee, composed of local commercial interests. The committee, formed in the wake of the 1997 reassessment, called on Saskatoon city council to reduce mill rates by 1999 (Lyons, March 15, 1997). The 1997 reassessment did not have a major effect on the commercial property class, but business lobbyists had longstanding grievances with property tax levels and the reassessment gave them a chance to publicize their concerns (G. Klein interview, 2011).

Municipal governments were key players throughout the reassessment. They were perceived as the face of local property taxation, and therefore were obligated to defend the necessity of the reassessment process (K. Pontikes interview, 2011). Urban municipalities were most vocal after the 1997 assessment had been implemented. The SUMA convention in the winter of 1997 spawned two resolutions by delegates (SUMA, 1997). A resolution calling on the provincial government to “remove a significant portion of education and school funding from the property tax base” was approved by SUMA members (SUMA, 1997, p. 2). The second resolution sought equitable assessment and taxation of urban properties through a provincial government amendment that would eliminate section 331(1)(q) of *The Rural Municipality Act*. Section 331(1)(q) had been adopted in 1989 to provide a tax exemption for rural residences by having the assessment of a farm residence reduced by the assessment of farmland (SARM, October 10, 1997). The SUMA resolution indicated the sentiment that urban ratepayers felt they were being treated inequitably, in comparison to rural ratepayers, by the assessment and property taxation policies of the provincial government.

The Saskatchewan School Trustees Association was largely absent from public participation in the political debate on the issue.¹ They had little to gain by entering the public debate on property tax due to criticism of EPT by other stakeholders. A concerned individual, identified as a “Saskatoon resident”, questioned the absence of public commentary by school board trustees on the reassessment issue as follows:

“I must admit that it interests me that the school boards are hiding under the table on this one. Most of my property tax bill goes to the school board, but no one seems to be putting trustees on the hot seat about how much we pay in tax. When one adds the money school

¹ The Saskatchewan School Trustees Association has since been renamed the Saskatchewan School Boards Association.

boards get from the province, they spend much more than city council. Yet few people ever go to school board meetings or question their efficiency. If we want our tax bills to be lower, perhaps we should yell at the school boards and not at city council” (Hamm, November 7, 1996).

3.3 Government of Saskatchewan Reassessment Policies

The NDP government’s involvement in the reassessment continued after assessment notices had been delivered to property owners. The government gauged the response of advocacy groups and enacted measures to mitigate political backlash. The issue remained on the provincial agenda until the conclusion of the spring sitting of the Legislature in May of 1997. The most significant initiative introduced by the government was an education tax factor for agricultural land. The tax factor initiative sought to “reduce the increase of education tax for agricultural land resulting from reassessment to an average of 5 per cent on a provincial basis” (Government of Saskatchewan, February 28, 1997). Urban municipalities argued that rural interests were being rewarded at their expense. They expected that they would be forced to subsidize the reduction in rural school taxes based on the zero sum argument that a tax break for farmers meant a tax hike for urban municipalities (Lyons, March 5, 1997). This conflict was a product of an urban-rural dichotomy that was present in Saskatchewan politics.

During the policy announcement of an education tax factor for agricultural land, the provincial government also pledged its support for the continuing necessity of a locally controlled EPT. The NDP government promoted locally elected and accountable school boards as an important level of government, whose local control and responsibility depended on access to the property tax base for education purposes (Government of Saskatchewan, February 28, 1997). This support for school board local autonomy and accountability was later repeated in the

official provincial response to a SUMA convention resolution that called for the removal of a substantial portion of the EPT from education funding (Atkinson, 1997). In the response, the province also pledged to reverse the increasing reliance on property taxes to fund education. The NDP government was pledging that it would find a balance between the interests of EPT critics and school boards.

3.4 Summary and Analysis

This chapter has revealed that the reassessment of 1997 elevated scrutiny of EPT due to long awaited property tax shifts. The provincial government's role was to release POVs and provide tools to municipalities for managing tax shifts. The worst outcomes were anticipated for agricultural interests. SARM sought to stall the reassessment for this reason, and then called for provincial control of education funding to correct perceived disparities due to EPT. Other organizations were compelled to criticize EPT during the reassessment process. PARCS argued that the EPT was unaccountable and unfair to the seasonal residential class. Business interests used the reassessment as an opportunity to criticize the perceived high levels of property taxes in general. SUMA sought a decrease in EPT, and treatment equal to rural municipalities. School boards kept a low profile during the reassessment. After the reassessment was completed, the provincial government introduced an education tax factor for agricultural land to deflate criticism of the EPT by rural ratepayers, but also defended the necessity of EPT for school board local autonomy.

The provincial government managed its decision making role in the reassessment reform, and surrounding political discourse, by employing a mix of political rationality and policy rationales. The policy rationale of the reassessment reform was to achieve two key policy objectives. The policy objective of tax equity was improved in some respects by updating all

property assessments to reflect their current market value, while the policy objective of accountability was attained by exerting renewed provincial control over the assessment stage of the property tax process. The resulting tax shifts created a backlash amongst key advocacy groups based on the tax equity policy objective as it related the tax burden differences between property classes. This backlash put political pressure on the provincial government to provide a remedy. The provincial government's political rationality was to manage this problem with a policy that targeted the most influential critic. The political rationality of implementing the agricultural property tax factor was to win back the support of the agricultural sector with a targeted tax equity policy. When advocacy groups like SARM and SUMA called for even greater control over the effects of EPT, the provincial government responded to the criticism over inaction with an argument that defended the value of school board local autonomy as an important policy objective. Defending local autonomy also had a political rationality, as major changes to the EPT would place a financial burden on the provincial government to increase provincial transfers which it was not in a fiscal position to do at that time. After the impact of reassessment was experienced, a broad coalition of ratepayer advocacy groups from the municipal, business, and agricultural sectors began seeking the policy objective of tax relief. The political rationality and policy rationales of future reforms of the provincial government were responsive to this broad-based advocacy group demand.

The focus of the next chapter is on a major initiative that was crafted in order to resolve a burgeoning debate on the proportions of funding that should be derived from the property tax base and provincial transfers.

CHAPTER 4: THE BOUGHEN COMMISSION

The Commission on Financing Kindergarten to Grade 12 Education, commonly known as the Boughen Commission, was an important consultation and EPT policy option formulation exercise carried out in 2003. This key initiative occurred in the context of the NDP's third consecutive mandate, which started in 1999 and concluded in 2003. With a general election being anticipated, the government appointed the Boughen Commission in May of 2003. The Commission concluded its work in December of 2003, after the NDP had been elected to a fourth consecutive term in office. The recommendations of the Boughen Commission's *Finding the Balance* report provided a clear EPT reform strategy that could have been adopted by the new government but was not.

A variety of stakeholder responses were registered during the months that followed the January 2004 release of Boughen's report. The government's response to the Commission report was expected by the time the budget was released in the spring. Advocacy group pressure increased when it was shown that the government was ignoring Boughen's recommendations in its budget. The purpose of this chapter is to establish the Boughen Commission's value as a key opportunity and standard for reform whose final report attracted the disapproval of some stakeholders and the support of others.

4.1 Education Property Tax Policy, 1999 to 2003

Before appointing Ray Boughen to study the issue, the NDP government implemented several policies during its third term in office. The first of three EPT policies introduced by the NDP was a temporary EPT relief program called the Farm Land Property Tax Rebate. The policy was announced in the provincial budget of 2000, as a reaction to sustained pressure by the farming lobby. Two groups were pressuring the government for a response. The Coalition for the

Reduction of Education Tax on Agricultural Property was a pressure group active in the late 1990s that represented six farms organizations and SARM. The Coalition's mission was to lobby for EPT relief, and the introduction of a more accountable and equitable education funding system (SARM, April 28, 1999). Running parallel to the demands of the Coalition were threats of a tax revolt in rural Saskatchewan in response to the 1997 reassessment outcomes for agricultural producers. In the fall of 1999, farmers in seven rural municipalities had voted to withhold their property tax payments from local governments until action was taken to relieve the EPT burden (Sinkewicz, October 12, 1999). The mounting pressure by farmers, who were supported by the Canadian Taxpayers Federation advocacy group, was opposed by SARM, individual rural municipalities, and school boards who stood to lose a major part of their tax revenues. SARM and the SSTA argued that tax revolts would simply lead to higher taxes in the long run because these local governments would need to take out costly loans to cover the shortfall in revenue from withheld taxes (Cabel, July 23, 1999). SARM and the SSTA urged farmers to get behind their ongoing lobbying efforts instead of engaging in tax revolts.

The Farm Land Property Tax Rebate program, introduced in the March 29, 2000 provincial budget, included \$50 million of property tax relief, or 25% of the current school tax levy on farmland, divided between the tax years of 2000 and 2001 (Government of Saskatchewan, February 8, 2001). It was the first, and most notable, EPT policy introduced by the NDP during its 1999 to 2003 term. The government estimated that farmers would receive an average rebate of \$450, reducing the total EPT load for the agricultural class from \$140 million to \$115 million per year (Government of Saskatchewan, July 19, 2000). SUMA and the SSTA emerged to criticize the policy. SUMA argued that property tax relief should be provided for all ratepayers by having the provincial government fund a larger portion of education (SUMA,

2000). The president of the SSTA agreed that a higher portion of education funding should come from provincial coffers, yet he was quick to add that some local taxes were necessary to protect school board local autonomy (Shaddock, January 27, 2000). SARM was positive but not fully satisfied in their response to the EPT relief plan. SARM president Sinclair Harrison stated the program was, “the first relief on agricultural education taxes in 25 years”, which was “at least a step in the right direction” (Schmidt, July 20, 2000). SARM quickly shifted their criticisms to the 2001 reassessment policies released by the provincial government in the fall of 2000.

The NDP’s second EPT policy is found in the 2001 reassessment regulations released on November 8, 2000. Commentary was subdued compared to the controversy that arose during the 1997 reassessment, but tax burden shifts did reward some and punish others. The most notable change was a reduction in the percentage of value (POV) for the arable agricultural property class, from 70% in 1997 to 55% for the 2001 reassessment. The government expected a savings of \$15 million for agricultural landowners (Government of Saskatchewan, November 8, 2000). SARM argued that the new POVs did not go far enough to curb a tax increase for the agricultural property class (SARM, November 17, 2000). Harrison suggested that tax revolt meetings could return due to a perception that the regulations would provide inadequate assistance for farmers.

Urban municipal governments and the business community criticized the NDP’s reassessment policy. SUMA countered SARM’s criticisms by arguing that the regulations represented a further shift of tax burden away from agricultural ratepayers onto residential and commercial ratepayers in cities, towns, and villages (McNairn, November 9, 2000). SUMA would further entrench this position by passing a resolution at their 2002 convention that called on the provincial government to provide the school tax rebates that rural ratepayers were receiving to urban ratepayers as well (SUMA, 2002). The business community reserved its

criticism for the assessment process itself, and largely ignored the percentage of value (POV) tax instruments, which continued to be set at 100% for the commercial class. The Saskatoon Chamber of Commerce called on the provincial government to introduce an income-based, annual assessment system like those in Alberta and B.C. (Paulson, December 7, 2000). The provincial government soon met The Chamber's demand.

The method used to assess commercial property was altered near the end of the NDP's third term to a more favourable approach for this property class. Saskatchewan Premier Lorne Calvert announced at the 2002 SUMA annual meeting that his government would introduce changes to the way SAMA assessed commercial property. SAMA would begin assessing commercial property based on the income approach instead of the market value approach used in 1997. In a news release, the Premier added that, "many in the business, commercial and municipal sectors who have sought improvements to the valuation of commercial property for some time see the income approach as a way to improve property assessments while maintaining fairness and equity" (Government of Saskatchewan, February 4, 2002). Despite that promise to alter the valuation system, business groups would continue to criticize the EPT (Greater Saskatoon Chamber of Commerce, May 1, 2003).

The common feature of the policies examined is that they all responded directly to a position that was taken by an advocacy group preceding adoption. The introduction of these policies was ultimately deemed insufficient by advocacy groups, who sought action on the funding ratio issue, which focussed on the split between provincial general revenue fund transfers to education property tax used to fund education. A commission would be needed to review policy options and formulate a strategy for change. Regardless of the NDP government's

motivation to appoint a commission on the eve of an election, it satisfied demands for action when it was initiated.

4.2 The Boughen Commission Recommendations and Advocacy Group Responses

The Boughen Commission was asked to examine four issues when it was appointed on May 2, 2003. Commissioner Ray Boughen was expected to investigate the education funding ratio, find sources of taxation other than property taxes for funding education, seek equity in education property taxation among property classes, and investigate equity in the fiscal capacity among school divisions (Government of Saskatchewan, May 2, 2003). The next day, SARM president Neal Hardy called on the provincial government to freeze school mill rates until the Commission had reported (Silverthorn & Wood, May 3, 2003). This request was ignored. During the Commission's research and consultation process, SUMA president Mike Badham called on the provincial government for greater provincial funding for education, but he added that there was still room for some EPT for the sake of local autonomy of school boards (Block, August 26, 2003). This contrasted with the SARM position arguing for full provincial funding of education. Throughout the proceedings of the Commission, Ray Boughen emphasized that the "big purpose" of the Commission was to address the funding ratio, in other words, the proper balance between provincial funding and local property tax (Government of Saskatchewan, May 2, 2003; Block, August 26, 2003). The "Finding the Balance" tagline for the final report is the first clue that Boughen had stayed true to his vision of addressing the funding ratio. The 12 recommendations contained within the report confirm it.

The Boughen Commission final report was released on January 8, 2004. The centrepiece of the dozen recommendations was a two stage approach to increasing the provincial portion of the education funding ratio (Boughen, 2003). First, Boughen argued that the funding ratio would

need to be gradually inverted and expanded from 60% property taxes and 40% provincial funding, to 30% property taxes and 70% provincial funding. Second, this reform should be made possible by raising the Provincial Sales Tax (PST) one point and extending coverage of the tax to include restaurant meals. Boughen also recommended the introduction of a uniform provincial mill rate on commercial property, which would be set in the provincial budget (Boughen, 2003). This uniform mill rate policy option is a targeted version of the uniform, provincially-controlled mill rate that would be introduced by the Saskatchewan Party in the provincial budget of 2009. Boughen also recommended the appointment of a task force on revising school division boundaries for the sake of increased equity (Boughen, 2003). This was one recommendation the NDP government did adopt. One other noteworthy recommendation called on the provincial government to remove seasonal residential property from the education property tax base (Boughen, 2003). This is a direct response to the criticisms that PARCS raised during the 1997 reassessment.

Advocacy group positions focussed on the centrepiece recommendations of changing the funding ratio by raising the PST. The report was made available to the public in the beginning of January, 2004. The government withheld immediate comment on the report, as it planned to “provide a substantive response in the coming months” (Government of Saskatchewan, January 8, 2004). The advocacy group responses immediately after release of the final report were therefore focussed on Boughen’s recommendations, not on the government’s response to the recommendations. An article by *Leader Post* reporter James Wood captured the reactions of key stakeholders on the main issues (Wood, January 9, 2004). SARM president Hardy argued that raising the PST to provide property tax relief merely shifted the tax load from property tax to sales tax with no net improvement. Lance Bean, the president of the SSBA, supported increased

provincial funding, and felt it was up to the province to decide if it would be achieved by raising the PST. Bean also supported further school board amalgamation, as long as it was voluntary. Clay Dowling, president of the Saskatchewan Chamber of Commerce, was opposed to raising the PST because he believed it would punish the business class more than other ratepayers. Further, he suggested that extra provincial funding for education be achieved by finding efficiencies within the administration of the provincial government. During recent advocacy group commentary on key initiatives by the provincial government, SUMA had not aligned with SARM's position that the province should fully fund education from general revenues. Similarly, SUMA diverged from SARM on the Boughen recommendations. SUMA argued that an increased sales tax could be justified if it meant that property taxes would be reduced.

Three positions gained prominence before the provincial budget was released. A few weeks after release of the final report, delegates at the SUMA annual meeting took a bold stance on the EPT. A resolution calling for removal of the EPT from the funding of education was accepted by delegates (SUMA, 2004). In adopting this resolution, SUMA members were effectively siding with SARM's leadership and membership, rather than with their own SUMA leadership. SARM continued to take a hard-line stance on the issue. The delegates of the SARM convention, which took place in mid-March of 2004, voted to start confronting the education tax issue by establishing an emergency convention, if it was not addressed in the upcoming provincial budget (SARM, March 18, 2004). A new actor emerged to lobby on a more specific issue. The restaurant lobby quickly mobilized to prevent the provincial government from adopting the Boughen recommendation of extending the PST to cover restaurant meals. The Canadian Restaurant and Foodservices Association (CFRA) organized dramatic protests to demonstrate their opposition to the restaurant sales tax. On March 25th, restaurateurs delivered

132,355 petition signatures stuffed in fried chicken buckets to the legislature (Ehrkamp, March 25, 2004). The following day, the CFRA delivered 70 pizzas to NDP and Saskatchewan Party MLAs with one slice missing from each pizza box. The message was, “don’t take a slice out of our business” (O’Connor, March 26, 2004). The effectiveness of the theatrical pressure campaign is difficult to measure, but the outcome was favourable for the CFRA.

4.3 The Provincial Budget of 2004

The NDP government ignored the main recommendations of the Boughen Commission when it announced its 2004 provincial budget on March 31, 2004. Political motivations and other priorities may have been the cause. The political motivation may have been based on using the commission as a way to move the EPT reform issue to the backburner during an election campaign. Alternatively, other priorities may have caused the government to ignore Boughen’s main recommendation. In an interesting twist, the NDP decided to heed the recommendation of raising the PST one point, but to the dismay of education groups, the revenue windfall was assigned to healthcare not education. This was not surprising for those who recognized that education had a long history of being a secondary concern to the priority of healthcare, which was taking up the largest proportion of provincial budget dollars (H. Langlois interview, 2011). The demands of restaurateurs had been heeded, as the PST was not extended to cover restaurant meals. Absent was a plan to reduce the EPT burden or increase provincial funding for education.

SARM attacked the provincial government for ignoring EPT relief in the budget. Hardy criticized a PST increase that was not tied to property tax relief, and was equally disappointed by a K-12 funding plan that he saw as only covering the recent increase in teachers’ salaries (SARM, March 31, 2004). He maintained that SARM’s special convention on EPT would go ahead. New SUMA president Don Schlosser on the other hand was pleased that funds were being

directed to urban municipalities due to unrelated measures in the budget (Cooper, April 1, 2004). The government's budget had continued the three-year trend of increasing municipal revenue-sharing grants by \$10 million, which in 2004 meant a 13% increase over 2003 grants (Government of Saskatchewan, March 31, 2004). SARM was also critical of the municipal grants due to the amounts earmarked for urban compared to rural municipalities. Schlosser meanwhile was optimistic that EPT reform, and other Boughen Commission recommendations, would be acted on in the near future (Cooper, April 1, 2004).

The new leader of the Official Opposition, Brad Wall, grilled the government on the EPT issue during the budget debates. On the topic of "Pre-budget commitments", Wall argued in the Legislature that Premier Calvert had said he had no mandate for a PST increase and that we was not going to increase taxes (Wall, March 31, 2004). Wall added that the Premier had pledged to SARM that there would be property tax relief. On both of these counts, Wall believed that the NDP Premier had failed. Two days after the budget was released, Boughen told the media that he expected that his recommendations for providing property tax relief were now dead (Wood, April 2, 2004). A short term approach for addressing EPT issues would continue into the NDP's fourth term.

4.4 Summary and Analysis

This chapter has revealed that the NDP government appointed the Boughen Commission to investigate the EPT issues but did not adopt the main recommendation of the final report. Leading up to the commission, three policies were implemented that temporarily appeased stakeholder demands on EPT relief including agricultural tax relief through a rebate program, a lower POV for arable agricultural land, and adoption of the income approach for commercial class assessment. The Boughen Commission investigated the funding ratio between local and

provincial revenue sources, the tax equity issue, the funding equity issue, and appropriate funding sources for a greater provincial contribution to education funding. Boughen recommended a substantial shift in the funding ratio, from 60-40 to 30-70, to be primarily financed by assigning a 1% PST hike to education and extending the sales tax to cover restaurant meals. The stakeholder response was mixed. The government decided to ignore this main recommendation in the 2004 provincial budget. The pressure intensified for provincial action on EPT. Within weeks of the budget, the NDP's response began to take form.

The provincial government employed a mix of political rationality and policy rationales as it managed the policy formulation exercise of the Boughen Commission and the decision making exercise involved in tax relief reform. The main policy rationale of the tax rebate program was tax relief and tax equity. But this reform owed more to a political rationality. Agricultural groups and the Canadian Taxpayers Federation used tax revolt and coalition building tactics to put pressure on the provincial government for tax relief. The rebate policy responded to that political pressure without the fiscal and political resources required of major, long term EPT reform. The main policy rationale of establishing the Boughen Commission was the policy objective of determining a proper balance of funding sources. Underlying this aim was the goal of defining the role of the policy objectives like tax relief, education funding equity, and school board local autonomy in a reform policy option. The government's refusal to adopt the main recommendation of the commission report, yet its willingness to raise the PST by one point and assign it to healthcare, demonstrated that the decision to appoint the commission was likely based on a political rationality that relied on shrewd political tactics. Appointing a commission on the eve of an election allowed the NDP to prevent EPT from becoming a wedge issue for the Saskatchewan Party, as it stalled debate until the commission completed its report. The responses

by advocacy groups to the Boughen recommendations were mixed, but the response of SARM to government inaction during the 2004 provincial budget was outrage at the lack of tax relief and tax equity measures for the agricultural property class.

As the next chapter reveals, the government's plan of action for addressing the EPT issue was met with substantial criticism and resistance from influential advocacy groups.

CHAPTER 5: TAX REVOLT AND THE NDP'S ACTION PLAN

Advocacy groups seeking EPT reform were disappointed by the NDP government's budget in the spring of 2004. SARM was the prominent example as it revived its lobbying campaign to continue pressuring the government. A tax revolt by rural municipalities, which was not sanctioned by SARM, paralleled SARM's own conventional lobbying campaign. Calvert responded with a threefold plan, including school division amalgamation, linking equalization dollars to EPT relief, and extension of EPT relief when these new revenue streams were attained (Calvert, June 10, 2004). The EPT relief included major tax relief for the agricultural property class ratepayers, as well as more modest tax relief for all other ratepayers. Advocacy groups responded to these initiatives by continuing to push for more change. Besides establishing strategic lobbying alliances with other advocacy groups, school boards also launched lawsuits against the tax revolts and sought court orders against mandatory amalgamation. SUMA and SARM continued to hold contrasting positions, as SUMA's more passive support for EPT reform was at odds with the aggressive tone of SARM's constituency. Business groups remained consistent in their advocacy for EPT relief and reform based on economic arguments. The lobbying efforts of advocacy groups and the NDP's policies in its final term in office are the topics of this chapter.

5.1 Tax Revolt

SARM responded to the provincial budget of 2004 with a battle cry and a major counter-offensive. In a news release entitled "Call to Arms for Rural Saskatchewan", SARM directed its members to attend an emergency convention on the education tax (SARM, April 2, 2004). The 1000 person convention on April 22 in Regina was parlayed into the "Call to Action Rally", which took place on June 10 at the Legislature. A variety of official and unofficial political

activities coalesced on that day in Regina. High level meetings were held between the Premier and SARM leaders; a petition with more than 14000 signatures was presented by SARM; 300 people rallied on the legislative grounds; and the legislative proceedings of the day were dominated by official opposition questions and criticisms levelled at the government's EPT policies (Wood, June 11, 2004; SARM, June 10, 2004; Calvert, June 10, 2004). SUMA was notably absent from participation in the June 10 political rally. SUMA president Don Schlosser defended SUMA's absence and pledged support for EPT relief in an op-ed piece in the *Leader Post* the following week (June 17, 2004). Schlosser cited SUMA's recent efforts as evidence of its solidarity with SARM. He pointed to two resolutions by SUMA delegates, one that had been passed in support of the Boughen Commission findings, and another that called for complete removal of education costs from the property tax base (Schlosser, June 17, 2004). The latter of these actions resonated with SARM's intentions and aligned the two organizations on an important issue. The former argument was a weaker case for solidarity because SARM had been critical of Boughen's report.

Following in the wake of the call to action rally, a loosely bound group of rural municipalities known as the Tax Action Group rejuvenated the tax revolt tactic starting in 2004. There were a couple of critical differences between the new tax revolt and the 1999 tax revolt. First, the new tax revolt witnessed rural municipalities pressuring the provincial government to provide EPT relief by refusing to hand property tax revenues over to school divisions, whereas the tax revolt of 1999 was comprised of farmers seeking to influence the provincial government to provide EPT relief by refusing to hand taxes over to rural municipalities. The second difference between the two tax revolts was that the new revolt was more unyielding and widespread than the 1999 tax revolt due to the large number of rural municipalities that joined

the action. SARM did not officially endorse the activities of the Tax Action Group because of the illegality involved in withholding education property taxes from school divisions.

The new tax revolt was launched when the rural municipality of Scott violated the legal obligation to hand over EPT revenues to their local school divisions in November of 2004. The Scott RM was promptly sued by the Sunrise School Division in February of 2005 (Pruden, February 5, 2005). The provincial government's announcement of tax relief in January 6, 2005 did not slow down the momentum started by the Scott RM revolt. By November 2005 there were 51 rural municipalities withholding property taxes from school boards, and by January 2006 there was 104 rural municipalities involved (Brownlee, January 5, 2006). Glenn Blakley, a councillor from the Spy Hill Rural Municipality, became identified as the leader of the loosely bound Tax Action Group. Blakley and the Tax Action Group were calling for a 25% reduction in property taxes in 2006, with 10% reductions following in the years 2007 through 2009 (Brownlee, January 5, 2006). The provincial government responded with tax relief, and a policy that reminded rural municipalities of their duty to hand over EPT funds. The reminder came in the form of government legislation, which bound municipalities to transfer EPT to school divisions in "a timely fashion" (Government of Saskatchewan, November 6, 2006). The legislation affirmed the provincial government's existing policy that tax revolts were illegal and would not be tolerated.

5.2 The NDP's Action Plan: Amalgamation, Tax Relief, and a New Equalization Deal

In 2004, Premier Calvert responded to SARM's "Day of Action" with a three-fold plan of action. The first action was school division amalgamation. The Education Equity Task Force was established on May 31, 2004 to develop a map of new school division boundaries. The provincial government had decided to move forward with mandatory amalgamation and therefore

abandoned the policy it adopted in 1995 of providing incentives for voluntary amalgamation. The rationale for this policy was that education equity would be improved through regional pooling of assessment wealth. Part of the policy rationale was that this approach to equity was the preferred provincial government option over other options that would more directly undermine school board local autonomy such as full provincial general revenue funding of education (Education Equity Project, November 10, 2004). The justification for introducing mandatory amalgamation was that restructuring rural school divisions would improve efficiencies, reduce tax and service inequities, and facilitate property tax relief (Wood, September 8, 2005). The findings of the task force shaped the amalgamation plan that was adopted in November of 2004. School divisions were reduced from 81 to 34 through mandatory amalgamation, and further decreased to 28 through voluntary amalgamation of Catholic school divisions (Saskatchewan Learning, 2006). Dolmage and Clarke predicted that restructuring was a precursor for the development of a new system of collection and redistribution of education resources in the province (Clarke & Dolmage, 2006). The authors were not expecting or advocating for the type of EPT reform that was introduced in 2009, but they did recognize that the amalgamation would be a precursor to fundamental reforms to education tax authority and funding.

The amalgamation process exacerbated the urban and rural policy divergence. SARM called on the Government of Saskatchewan to abandon the mandatory amalgamation plan and prove that it was not going to shift the EPT burden to rural areas through the process of restructuring school divisions (SARM, 2005). During the same period, rural school divisions teamed up with rural municipalities, towns, and villages to seek a court order against mandatory amalgamation (Mandryk, May 25, 2005). The legal actions of select rural school divisions were

at odds with the official position of the SSBA. Bill Wells, executive director of the SSBA at the time, argued that school boards did not want to expend political capital on opposing mandatory amalgamation because of concerns that it could have led to further losses of autonomy (B. Wells interview, 2011). Wells believed that a deferential approach proved wise because unlike similar reform exercises in other Canadian provinces, the school boards in Saskatchewan did not lose the authority to set mill rates at the same time as amalgamation. SUMA struck a sympathetic stance with SARM and the faction of rural school divisions on the issue of mandatory amalgamation. SUMA passed a resolution at its 2005 annual meeting that sought a more “open and flexible” amalgamation approach for rural communities instead of having “amalgamations forced upon them by the Government” (SUMA, 2005). SUMA did not oppose amalgamation, but merely called for a more flexible and responsive approach on the part of the provincial government to the concerns being expressed by SARM and SSBA members.

School closures were an issue related to amalgamation that demonstrated the NDP government’s motive for supporting school board autonomy. This motive was based in part on avoiding the political trappings of being responsible for shutting down a school. A moratorium on school closures was established while restructuring was completed from late 2004 to the end of 2006. This provincial government policy created a backlog of school closures. There were 50 schools slated for closure by the time the moratorium ended in 2007. The closures were concentrated in rural Saskatchewan. As amalgamation was nearing completion, SARM responded to impending 2007 school closures with a resolution calling on the provincial government to establish a five-year moratorium (SARM, 2007). The government deflected SARM’s appeal by defending school board local autonomy and their legal authority to close a school if they considered it necessary (SARM, 2007). The government’s defence of local

autonomy at this particular juncture reflects the convenience of avoiding responsibility for school closures. In Boughen's final report three years earlier, he highlighted the political motive of the provincial government for protecting school board autonomy as follows: "Provincial governments recognize that local governance of education has prevented operating decisions, such as school closures, bussing routes, staffing and student discipline, from becoming issues for the province to manage" (Boughen, 2003: p. 50). In this instance, the NDP government used the local autonomy policy rationale to evade accountability for school closures (K. Pontikes interview, 2011).

The NDP government's second initiative was to link EPT relief to federal equalization. Premier Calvert established the connection during SARM's "Day of Action" rally in 2004 at the Legislature. He argued that a "fair" equalization deal for Saskatchewan would produce the financial resources, "which we can use very directly to lower the burden on the property tax base" (Calvert, June 10, 2004). SARM was onside with the Premier's proposal. The day after SARM's "Day of Action", president Neal Hardy agreed to be part of a provincial delegation to Ottawa to discuss equalization (Wood, June 11, 2004). Calvert made the equalization fight a priority between the years of 2004 and 2007, which he expected would bring Saskatchewan an additional \$800 million if successful (Government of Saskatchewan, October 11, 2006). At the 2007 SUMA annual meeting, a resolution pledging support for the provincial government's campaign for a better equalization deal received unanimous support from delegates (SUMA, 2007). Some informed observers believed that the NDP's policy was crafted to shift political accountability to the federal government for EPT relief (G. Klein interview, 2011). Regardless of the motivation, it was in the interest of all education tax advocacy groups to support the

provincial government's fight for more equalization dollars. The more dollars in provincial coffers, the more likely their tax relief and increased education funding goals would be realized.

The third and most significant initiative undertaken by the NDP government between 2004 and 2007 was EPT relief. In early 2005, the government introduced a two-year \$110 million property tax credit program for all Saskatchewan ratepayers for 2005 and 2006. It was the first property tax relief program since the Romanow government's Farm Land Property Tax Rebate program expired in 2001. The average tax credit for the new program was 8% of the EPT levy, with a cap of \$2500 on commercial/industrial and multi-unit residential properties. The government acknowledged that it was a short-term solution to the issue (Government of Saskatchewan, January 6, 2005). In a *Leader Post* piece covering the NDP's initiative, reporter James Wood gauged the reaction from advocacy groups to the two-year property tax credit program (Wood, January 7, 2005). SARM argued that agricultural and residential tax relief should have been prioritized over commercial tax relief. The SSBA welcomed the tax relief but called on the government to match it with a commitment to produce adequate provincial funding for education. The SSBA's critique centred on the correlation between perceived provincial underfunding of education, the perceived overreliance on EPT by school divisions to make up the difference, and the level of EPT paid by property owners. SUMA was pleased that the program would apply tax relief to all the different categories of property. The Greater Saskatoon Chamber of Commerce took the critical position that the relief policies did little to reduce the high tax load on businesses (The Chamber, January 6, 2005). A notable critique came from the Saskatchewan Real Estate Association (SREA), a lobby organization for the housing sector. The SREA saw the tax relief program as flawed because it didn't restrict school boards from raising

mill rates (Lyons, January 13, 2005). The organization argued that the provincial government should mandate mill rate caps for school divisions.

In 2006, the NDP government substantially boosted tax relief to agricultural ratepayers in its tax relief package, by providing \$52.8 million in agricultural tax credits. Two policy outcomes were achieved by the targeted relief. First, the program allowed the government to boost the tax credit for the agricultural class from 8% to 38%. Secondly, a 60-40 ratio of provincial to local funding for agricultural ratepayers was achieved by this action. The Boughen Commission had recommended a similar ratio of 60-40 for all ratepayers, not just agricultural producers. The targeted tax relief was welcomed by SARM. President Neal Hardy stated that, “the provincial government has correctly identified that agricultural producers have the greatest need for immediate education property tax relief” (SARM, March 3, 2006). Calvert trumpeted the reform as ‘ongoing, stable, and long term’ (Government of Saskatchewan, March 3, 2006). The long term commitment was a departure from the temporary nature of the Farm Land Property Tax Rebate program of 2000 and 2001. Calvert continued to link equalization to tax relief when he stated that an improved equalization deal would provide the finances to extend the tax relief implicit in a 60-40 ratio of provincial to local funds to all ratepayers in a long term and sustainable manner (Government of Saskatchewan, March 3, 2006). The NDP’s reform policy reflects a prioritization of agricultural interests, with the promise that tax relief would soon be extended to the urban interests of the residential and commercial property classes.

The 60-40 pledge aligned the government with the primary advocacy groups. These organizations had agreed to a common position on the policy of 60-40 funding of education in the fall of 2005. The SSBA, Saskatchewan Chamber of Commerce, and PARCS pledged solidarity with SARM and SUMA when they aligned their advocacy on reducing education taxes

on property by forming the Education Property Tax Coalition. The Coalition called for an increase in the government share of education funding to 60 per cent by 2008 (B. Wells, October 17, 2005). The SSBA was motivated to protect its local autonomy from being undermined by complete provincial funding of education when it decided to align with the other advocacy groups on this issue for the first time (SSBA, 2005).

In 2007, an incremental change to the tax credit program was introduced, which extended the 38% tax credit for agricultural producers for another year, and also increased the tax credit for all other ratepayers from 8% to 10%. The government continued to tie tax relief to equalization. The NDP announced that the relief was achieved through allocation of 30% of a one-time federal equalization influx of \$226 million (Government of Saskatchewan, April 23, 2007). The government's 2007 plan affirmed the commitment to a 60-40 ratio of provincial to property tax funding for agricultural producers, and included a modest 2% hike in the tax credit for all other ratepayers.

5.3 Summary and Analysis

The NDP introduced three initiatives after being pressured to act by the rallies and tax revolts organized either by SARM or the Tax Action Group. First, it reduced school divisions from 81 to 28 in 2004. The issue of school closures spun off from amalgamations, with the government defending local autonomy to avoid responsibility for the mostly rural impact. Second, the NDP government linked federal equalization to EPT relief starting in 2004. The third action by the NDP government was the tax relief program. The tax relief program had three stages. First, an 8% tax credit for all ratepayers was introduced for the 2005 and 2006 tax years. This program was extended into 2007 and expanded to a 10% tax credit. In 2006 and 2007, a targeted relief program was created for the agricultural class with a 38% tax credit. These two

programs brought a 60-40 funding ratio to the agricultural class and the promise of a 60-40 funding ratio for all property classes pending more equalization dollars. The SSBA deferred to the province on amalgamation, but achieved a victory when it moderated the positions of other advocacy groups with the joint position of a 60-40 funding ratio, which mitigated the threat to local autonomy of full provincial funding. The joint position was adopted in 2005 by the Education Property Tax Coalition. The Coalition's joint position, and the NDP's record on EPT, had been cast when the Saskatchewan Party emerged with more ambitious promises in the 2007 general election.

During its last term in office, the NDP government's decisions were influenced by a combination of interrelated political rationality and policy rationales. The overarching strategy was to win back the political support of its critics and implement a package of reforms that would achieve its policy objectives. The policy rationale of mandatory amalgamation was to force change on school divisions in order to achieve policy objectives such as education funding equity, tax equity, efficiencies in operation, and tax relief by enlarging the geographical and operational size of school divisions. The policy rationale of the EPT credit program was to achieve the policy objectives of tax relief for all ratepayers, and tax equity through a higher level of tax relief for the agricultural property class. The tax revolt led by the Tax Action Group and conventional pressure campaign led by SARM exerted political pressure on the provincial government to respond. The extra tax relief for the agricultural property class suggests that the government's creation of the EPT credit program was influenced by political rationality related to winning agricultural groups' support. What was more clearly motivated by political considerations was the linkage created by the NDP government between federal equalization dollars and EPT relief. This strategy attempted to shift political accountability regarding EPT

relief onto the federal government. The provincial government hoped that this linkage would shift some of the blame to the federal government for lack of progress of at least for slow progress on EPT reform. The formation of the Education Property Tax Coalition also had a notable influence on the political rationality for tax relief, as the 60-40 funding ratio adopted by the group in 2005 was later acknowledged as a policy objective of the provincial government.

The next chapter will examine the importance of the 2007 election, and resulting change in government, for EPT reform.

CHAPTER 6: THE EDUCATION PROPERTY TAX IN THE 2007 SASKATCHEWAN ELECTION CAMPAIGN

The 2007 election was the turning point in Saskatchewan's EPT policy. The NDP dropped the writ for a general election on October 10, 2007 that would be held November 7. The EPT had a much higher profile in the 2007 election than it did in either the 1999 or the 2003 elections. It featured prominently in party platforms and was referenced often in campaign promises. The lobbying of advocacy groups was subdued during the campaign and the month following the election when the Saskatchewan Party cabinet was being determined. The two major parties took similar positions on the main issues, yet the Saskatchewan Party's victory altered the dynamics of provincial political leadership by increasing rural representation (Leeson, 2009). After the 2007 election, the groundwork for major EPT reform was influenced by the Saskatchewan Party's rural base. This EPT reform was not immediate, but the mandate for reform was clear. This chapter starts by reviewing the political dynamics of elections in Saskatchewan in 1999 and 2003 and then examines the campaign platforms and promises of the two major parties in the 2007 election. The chapter continues with a discussion of cabinet representation in the new government and how the composition of the new government influenced the shape of the Saskatchewan Party's property tax initiatives.

6.1 The Urban-Rural Dynamic of Saskatchewan's Electoral Politics

The founding of the Saskatchewan Party in 1997 and deteriorating support in rural areas for the NDP shaped the outcome of the 2007 election. The urban-rural divide in electoral politics between the Saskatchewan Party and the NDP emerged in the 1999 and 2003 elections. The NDP's share of seats in the Legislative Assembly of Saskatchewan dropped to 29 of 58 seats after the 1999 provincial election. The NDP had lost 13 seats during this first campaign that had featured Saskatchewan Party representation. The NDP losses in 1999 were focussed in rural

Saskatchewan, where the party was reduced to a single rural seat (Stirling, 2001). Four Liberal and zero Progressive Conservative MLAs were elected in 1999, down from eleven and five respectively in the 1995 election. Every party lost seats in the 1999 election except for the Saskatchewan Party, which established a rural stronghold by winning 25 seats. The Saskatchewan Party continued to hold its rural base in 2003 with 24 seats, while gaining four urban seats (CBC, November 5, 2003). The Liberals were shut out of the legislature in the 2003 election, establishing the two-party system that remains in place as of 2011. Urban gains continued for the Saskatchewan Party in 2007, resulting in an electoral triumph of 38 out of 58 seats (Elections Saskatchewan, 2011). The Saskatchewan Party's rural base of support was affirmed during the 2007 campaign.

Party leader Brad Wall made a campaign promise that electing a Saskatchewan Party government would establish a new relationship between the provincial government and rural Saskatchewan (Wood, November 2, 2007). The Saskatchewan Party leader argued that his party had MLAs who lived in rural Saskatchewan, worked as agricultural producers, and were therefore better positioned to understand and represent rural issues (Wood, November 2, 2007). Given the Saskatchewan Party's stranglehold in rural areas, the focus of the election campaign for the two parties became the urban areas and particularly the cities of Saskatoon and Regina. (CBC, October 29, 2007). Brad Wall's leadership was crucial for restraining the rural instincts of his party, discarding ideology for electoral viability, and ultimately making the Saskatchewan Party a more desirable choice for urban voters (Leeson, 2008). Under Wall's leadership, the Saskatchewan Party shifted its stance on perennial issues like health care and Crown corporations closer to the NDP (Leeson, 2008). The convergence of policy positions between the two major parties was less apparent on the policy issue of education property tax.

6.2 Election Platforms and Promises

The EPT was featured prominently in the 2007 election platforms of the two parties. The NDP ran on its record of tax credits and targeted agricultural EPT relief, while offering promises of increased EPT relief (NDP platform, 2007). It pledged to continue producing a 60-40 ratio of provincial funding to local taxes for education from the agricultural class. The NDP also pledged to continue its EPT credit program for all other ratepayers and sweeten it with an income tax credit for homeowners and renters on the cost of their residential class education property taxes. The pledge to reduce taxes for renters due to EPT was a novel one because the EPT tax that rental tenants paid was hidden in the total bill for rent and therefore had often been ignored in the EPT debates over the years. EPT reductions for homeowners and rental tenants would be achieved with a 30% provincial income tax credit. These NDP pledges on EPT policy added an incremental boost to its ongoing tax credit program, which had consisted of substantial agricultural tax relief and less significant relief for all other ratepayers.

The Saskatchewan Party presented a clear alternative on EPT in its election platform. Three pledges were made during the campaign (Saskatchewan Party platform, 2007). First, the party promised to double EPT rebates over the course of four years for residential and agricultural ratepayers. Recognizing the interconnection between education tax relief and increased provincial funding for education, the Saskatchewan Party pledged to increase education funding by 20% to address the funding ratio issue. The Saskatchewan Party did not make a specific commitment to remove taxing authority from school boards and introduce a uniform provincial mill rate, but the party promised to implement the following change:

“The Saskatchewan Party plan to increase education property tax rebates is the first step in our commitment to achieve a fairer balance for education funding. A Saskatchewan Party

government will work with school boards and consult with Saskatchewan people to determine the best way to ensure K-12 education is properly funded and that the education portion of property taxes is further reduced” (Saskatchewan Party platform, 2007, p. 14). The promise for a “fairer balance” for education funding planted a seed that would be nurtured during the course of the campaign.

Eight days after the campaign started, the media spotlight shone on the EPT issue. Planned election advertising information was leaked by the Saskatchewan Party on October 14 (Hall, October 15, 2007). The party’s promises for EPT relief and reform were exposed before a formal announcement was made, leading to commentary by the media and the NDP. The next day, the EPT issue was featured prominently in campaign coverage. Saskatchewan Party leader Brad Wall criticized the NDP’s record on EPT reform. He argued that the long-term solution to the issue was “education funding coming from government, coming from general revenue funds” (Wood, October 15, 2007, p. 1). Wall was indicating a preference for full provincial funding of education. The centralization of education funding implicit in Wall’s commitment represented a departure from the NDP’s approach of balancing the local autonomy of school boards with incremental measures like amalgamation and EPT relief.

Advocacy groups emerged as the EPT issue held the spotlight. Reporter James Wood captured the diverse viewpoints on this issue in an article in *The StarPhoenix* (Wood, October 15, 2007). The SSBA argued that provincial funding levels was the key issue, as the level of education property taxes required to finance education was dependent on the level of provincial transfers for education. The Saskatchewan Chamber of Commerce argued that both parties were offering only temporary solutions to a problem that they viewed as needing a permanent fix. The Agricultural Producers Association of Saskatchewan endorsed the Saskatchewan Party’s

proposal of funding more or all of education from provincial general revenue instead of property tax. Two weeks later, the media spotlight was on resort owners. The Saskatchewan Rivers constituency, which had a high concentration of resorts, was expected to be a tight race. Resort residents identified education property taxes as a major issue, and agreed with the Saskatchewan Party proposal that a larger portion of education should come from provincial general revenue. Saskatchewan Party candidate Nadine Wilson went on to win the riding over incumbent New Democratic Party MLA Lon Borgerson by a comfortable 13 point margin (Elections Saskatchewan, 2011). Voters, and most advocacy groups, were embracing a new direction and new leadership on EPT policy.

The proposals offered by the two parties represented clear choices. The NDP proposed continuity of the policies it had developed during its previous term in office, along with greater targeted tax relief for the residential property class, including renters in the multi-unit residential class. The Saskatchewan Party offered to double EPT rebates for agricultural and residential ratepayers, increase provincial general revenue funding of education, and consult with stakeholders in order to produce a “long term solution for education funding in the province” (LP Issues & Answers, November 5, 2007, p. B6). Education property tax would not make or break the main parties in the election, but it did feature prominently during the 2007 campaign. It was a key issue that compelled some Saskatchewan voters to choose change.

6.3 The New Government and the Property Tax Initiative

The sixteen-year, four-term run of the NDP ended on November 7, 2007. The Saskatchewan Party won a clear mandate, taking 38 of 58 seats with 50.92% of the popular vote compared to 20 seats and 37.24% of the popular vote for the NDP (Elections Saskatchewan, 2011). The new government began laying the groundwork for EPT reform with its cabinet

appointments. The new cabinet was sworn in on November 21. Two appointments made by Premier Brad Wall were very relevant to EPT reform. The appointment of Saskatchewan Party founding member Ken Krawetz to the post of Minister of Education and Deputy Premier was notable for three reasons. First, the dual post of Minister of Education and Deputy Premier sent the signal that education reform was a priority. Second, Krawetz's resume provided an assurance to school board stakeholders that education reform was being led by someone who could understand their position and understood the system (Wells interview, 2011). Krawetz was a former school trustee, former teacher, and a former president of the SSBA. The third reason Krawetz's appointment was significant and intriguing, was that he was an experienced provincial politician, having been first elected as a Liberal in 1995. He was a vocal critic of the EPT policies of the NDP when the issue gained prominence during the 1997 property reassessment (Krawetz, March 10, 1997).

An appointee that contrasted with Krawetz's political and education background was rookie MLA Jim Reiter. Reiter was appointed Legislative Secretary to the Minister of Education with special responsibility for the "Property Tax Initiative" (Government of Saskatchewan, November 21, 2007). Reiter's background was in rural municipal government administration. He had served as Director and President of the Rural Municipal Administrators Association, and was Director on the Board of SARM from 1998 to 2003. Reiter's SARM background signalled that the government's approach to education funding and EPT reform would be sympathetic and favourable to rural interests.

The Saskatchewan Party's first Speech from the Throne was delivered December 10, approximately one month after the 2007 general election. An editorial in the StarPhoenix described the speech as an "abridged version of the Saskatchewan Party's campaign booklet",

and therefore was predictably moving forward with its policy agenda (SP editorial, December 11, 2007). Wall outlined the party's vision for education and EPT as follows: "My government understands that the future of our province depends on our education system. It realizes that the solution to the long-standing property tax issue can be found in funding education from general revenue" (Barnhart, December 10, 2007, p. 12). The government pledged to increase funding for education by 20% over four years. The government also stated that the Foundation Operating Grant (FOG) would be reviewed. Since the FOG defines the education funding system in Saskatchewan, reviewing the grant requires a review of related components like school board taxing authority and provincial transfers. The Property Tax Initiative that Reiter was tasked with completing would need to review these dimensions of education funding.

The review had an inconspicuous launch in comparison with the attention that the Boughen Commission received from the media and advocacy groups. The government did not officially announce the review of the EPT system and the media did not provide any coverage regarding commencement of the review. The comparatively modest beginning of Reiter's review was much different than the comparatively substantial impact of the report's recommendations.

6.4 Summary and Analysis

The Saskatchewan Party's rise corresponded with an increased urgency to implement major reforms to the EPT system. The Saskatchewan Party built a strong rural base of support in the 1999 and 2003 elections, and added enough urban support to win the 2007 election. The election platforms of the two parties differed on the high profile issue of EPT policy. An election announcement by the Saskatchewan Party to find a long-term solution to EPT sooner rather than later contrasted with the NDP's plan to simply continue expanding its EPT relief program for the

near future. Their respective positions were rooted in a slightly different mix of political rationality and policy rationales.

Political rationality and policy rationales were tied to the competing visions for EPT reform that were brought forward by the policy platform of the NDP, as well as the policy platform and early initiatives of the Saskatchewan Party government. The policy platforms of the two parties indicated differing EPT reform policy objectives. The NDP did not stray from the policy objectives of balancing local autonomy with tax relief. The Saskatchewan Party's commitment to full provincial funding embraced the policy objectives of tax relief, education funding equity, and taxation equity. The two parties also had differing political rationality for the EPT reform plank of their platform. The Saskatchewan Party offered targeted tax relief in order to win support among voters who were urban homeowners and solidify support among voters who were agricultural ratepayers. The political rationality of the NDP on the other hand helped produce a strategy that sought to shore up its urban support by targeting homeowners and renters with tax relief. Political rationality was also evident in key appointments by the Saskatchewan Party's new government. Whereas the appointment of Ken Krawetz as Minister of Education and Deputy Minister signalled the priority of education funding, the appointment of rookie MLA Jim Reiter to oversee the Property Tax Initiative, which came to be known as the Education Property Tax Review, signalled that SARM and rural agricultural communities would be well represented during the reform. Together these appointments were intended in part to gain the support of municipal, agricultural, and education advocacy groups for EPT reform.

The political rationality and policy rationales of the Saskatchewan Party government's Education Property Tax Review and related initiatives and political commentary will be examined in detail in the next chapter.

CHAPTER 7: THE EDUCATION PROPERTY TAX REVIEW AND REITER REPORT

The Saskatchewan Party's commitment to produce a long-term solution to the EPT issue required a period of study and consultation. This started immediately following the provincial election in November 2007. At that time the provincial government established the Education Property Tax Review and designated a newly elected member of the caucus, Jim Reiter, to head it. Reiter was very familiar with the key issues and options related to the EPT because he had served as president of the Rural Municipal Administrators Association (RMAA) and also as a representative of the RMAA on SARM's board of directors. The review was launched without a formal announcement by the provincial government. Consequently, it did not receive any of the intense scrutiny from the media or advocacy groups that had ushered in the Boughen Commission. The informal and low profile of the launch of the review was followed by a low profile consultation and report writing process. The review was fifteen months in duration, starting with the Saskatchewan Party government's Throne Speech in 2007, and ending with the reform provisions announced in its provincial budget in 2009.

This chapter starts by explaining the similarities and links between the NDP's EPT policy before the 2007 election and the Saskatchewan Party's policy initiatives before it announced the EPT reforms in 2009. Next, it explains the positions and activities of advocacy groups during the consultations undertaken by the Reiter task force. The chapter concludes with an overview and analysis of the recommendations contained in that report. The focus of the chapter switches to political and policy considerations by examining Reiter's review and report. The rationale of Reiter's report will be revealed by examining the principles, process, and criteria used during the review. Next, the four policy options produced from Reiter's consultations will be summarized and their political viability will be examined. Advocacy group reactions to the report were absent

because the government kept the report under wraps until after the 2009 provincial budget was released. The purpose of this chapter is to examine the EPT policy formulation process of the provincial government and political rationales involved in determining which policy option would be adopted.

7.1 The Saskatchewan Party's Interim Policies

The Saskatchewan Party's first opportunity to put its EPT election promises into action was the provincial budget of March 20, 2008. The new government honoured its commitment to increase property tax relief, while asking for more time to prepare a permanent reform policy. Money was injected into the EPT relief program that had been implemented by the NDP regime. Tax credit payments were boosted by \$48.7 million, bringing the tax relief total to \$157 million (Ministry of Education, 2009). The tax credit for agricultural properties was boosted by 9% for a 47% tax credit. Other property classes experienced a more modest tax credit increase of 2% for a 12% total. The NDP criticized the budget as being hypocritical for a party that had long been a critic of the NDP's education tax policies. New Democratic Party MLA Harry Van Mulligen argued that the Saskatchewan Party had failed to deliver the substantial reform that they had committed to during the election (Van Mulligen, March 18, 2008). Saskatchewan Party Finance Minister Rod Gantfoer defended the tax relief provision as a sound temporary policy while a permanent plan for reform was being considered (Gantfoer, March 18, 2008). Advocacy groups, acting jointly through the Education Property Tax Coalition, welcomed the increase in relief but continued to pressure the government for a long term solution (The Chamber, March 19, 2008; SSBA, March 18, 2008). SARM and APAS were satisfied with the EPT relief and promise of further action, and instead focussed their critiques on agricultural policy issues unrelated to the

EPT issue (Scott, March 20, 2008). SARM's response was remarkably subdued in comparison to the sharp rhetoric and actions that were the norm during the NDP's final term.

A sign of the relationship being shaped by the Saskatchewan Party with school boards was the school closures legislation adopted in 2008. The new government standardized the school closure process for rural school divisions by amending the *Education Act, 1995* (Government of Saskatchewan, April 14, 2008). School closure review committees were introduced to encourage consultation with school community council members and local governments. Final decision making authority was retained by school boards despite the new oversight feature of a review committee, which limited the infringement on local autonomy. The rural orientation of this issue restricted the scope of advocacy group commentary to the SSBA and SARM. The SSBA had mixed reactions to the amendments. The organization was concerned that local autonomy was being undermined by standardization of the process, yet they were pleased that the ultimate decision to review schools, close schools, or discontinue grades was maintained (SSBA, April 15, 2008). SARM was disappointed with the school closure amendments. They argued that school divisions had lost any legitimate claim of local accountability during the amalgamation process, because the increased geographical size of school divisions made school boards unresponsive to local concerns (SARM, April 15, 2008). Based on this argument SARM sought an appeal mechanism that could be used by municipalities and other organizations for overturning school board decisions on a school closure (SARM, April 15, 2008). The clash of reasoning between the two organizations saw the SSBA defending local autonomy and SARM calling for increased local accountability through municipal government oversight. The Saskatchewan Party deviated from the NDP's previous policy of permitting school boards full control over school closure decisions. The Saskatchewan Party

achieved a balance with its toothless review committee policy increasing oversight by a small degree for municipalities, and the school closure standardization policy maintaining some school board autonomy. This balance nonetheless granted a degree of power to rural municipal governments and marginally diminished the authority of school boards because of the oversight feature granted to municipalities.

7.2 Advocacy Group Positions during Policy Formulation

The lobbying activities of advocacy groups ran parallel to the interim policymaking of the government and the consultation work conducted by Reiter. Patience was required while the government conducted its review, but advocacy groups nevertheless remained active in their EPT lobbying efforts. Business groups were particularly active during this period. In a policy brief, the provincial Chamber of Commerce described itself as a “prominent advocate for the overhaul and restructuring of the property tax system in Saskatchewan, especially as it pertains to the education portion of the tax” (Saskatchewan Chamber of Commerce, June, 2008). Shortly after the 2008 provincial budget was delivered, the Chamber called on the provincial government to remove all education taxes from property (Lyons, May 10, 2008). The Chamber’s tax abolition stance is the most invasive policy option available on the issue.

SUMA was also calling for the eventual abolition of EPT. The positions of these organizations was at odds with the joint position adopted by the Education Property Tax Coalition in 2008, which called for an education funding ratio of 75% provincial transfers to 25% property tax by 2011 (SUMA, March, 2009). SUMA admitted in a policy brief that there was a tension between its Coalition position and its goal of EPT abolition: “Although the position of the Coalition involves a compromise from all parties, it will help SUMA incrementally work towards achieving its end goal of complete removal of the education portion

of property tax” (SUMA, March, 2009). SARM was subdued in its advocacy, a departure from the aggressive stance it had adopted during the NDP government’s oversight of EPT policy. SARM president David Marit said his organization was patiently waiting for the Saskatchewan Party to fulfill its campaign promise of permanently reducing the education portion of property taxes (SP Editorial, November 14, 2008). SARM had shifted its lobbying priorities to other rural issues like road and bridge construction.

The SSBA and resort owners made sure that their positions were heard as well. In early 2008, SSBA Executive Director Bill Wells asked the Education Property Tax Review to adopt the 60-40 ratio of funding agreed to by the Education Property Tax Coalition (Brownlee, January 12, 2008). Wells contended that predictable funding through the FOG was the best way to achieve the 60-40 ratio, and that local autonomy needed to be maintained through school board access to the property tax base. PARCS voiced its unique concerns. Resort communities were worried that the 2009 reassessment would punish resort owners due to the rapidly climbing value of resort properties. PARCS president Robert Taylor was calling for EPT relief with increased urgency (Hall, January 24, 2009). The positions of some of the advocacy groups directly clashed. The call by SUMA and the Chamber of Commerce for abolition of EPT was irreconcilable with the SSBA’s position of preserving school board access to the property tax base. Other positions like PARCS’ and SARM’s demand for property tax reduction could be reconciled with the SSBA’s position if an appropriate balance of funding sources was struck.

7.3 The Features and Politics of the Education Property Tax Review

In a *Regina Leader Post* progress report on the Education Property Tax Review, Reiter explained that the EPT issue had been studied numerous times and that there was unlikely to be any “earthshaking revelations” emerging from his report (Brownlee, July 9, 2008, p. A7). The

purpose of the review was to set priorities, he said. Reiter consulted with the primary advocacy groups, most of whom were included in the Education Property Tax Coalition. The SSBA, SARM, SUMA, the Saskatchewan Chamber of Commerce, PARCS, and the Association of Saskatchewan Realtors were consulted between June and November of 2008. Reiter also contacted government officials, and advocacy groups in the education and municipal sectors in Manitoba and Alberta in order to learn from their EPT policy experiences and evaluate their EPT policy options.

The Saskatchewan Party government's priority setting agenda is contained in the major components of Reiter's report. The review contains insights into the principles, process, reform criteria, and policy options that set the parameters for reform. Seven principles guided the review. These principles included school board local autonomy, equity in education for students, horizontal tax equity, predictable and sustainable funding, fulfillment of government commitments for property tax relief, and provincial responsibility for K-12 education. Most of these principles are also found in the Local Government Finance Commission Final Report (1986), the School Finance and Governance Review Final Report (1991), and the Commission on Financing K-12 Education Final Report (2003). However, the last two principles included in the mandate of the Education Property Tax Review were unique. They provide insight into the Saskatchewan Party government's political rationality for commissioning the Review and for implementing some reforms. It wanted to demonstrate that, unlike the NDP governments that had preceded it, it would be fulfilling the commitments for substantial and sustained property tax relief and increase provincial financial responsibility for K-12 education. It calculated that these two reforms would consolidate and possibly expand its base of electoral support not only in rural but also in urban areas and fulfill its preferred mix of policy objectives.

The Education Property Tax Review utilized fifteen evaluative criteria to compare and assess the relative merits of the key features of selected policy options. The evaluative criteria are largely an extension of the principles of the review outlined above. They include incremental general revenue funding required, percentage relationship change, fiscal equity, sustainability, local autonomy, Ministry administrative costs, government commitments, 2009 mill rates, taxpayer equity, major beneficiaries, education equity, adequacy of funding, implementation timeline, statutory and regulatory changes required, and major risks (Reiter, 2009)². The criteria were a mix of qualitative and quantitative measures designed to inform decision makers of the political, financial, and policy consequences of the four policy options. They helped formulate a list of predicted positive and negative outcomes, which will be discussed as it pertains to the adopted policy option at the end of this chapter.

The Education Property Tax Review report contained four options for reforming the EPT policy. The first policy option was to continue the EPT credit program while increasing funding transfers. This option would be an expansion of the existing policy implemented by the NDP and maintained by the Saskatchewan Party in the provincial budget of 2008. The second option was increased general revenue funding of education. Ray Boughen recommended this approach in his commission's final report. One difference was that whereas Reiter's option did not discuss how the increase would be funded, the Boughen report recommended hiking the PST by 1% and assigning the revenue windfall to increased education funding. The third option was adopting a uniform, provincially controlled EPT mill rate. This option would have the effect of removing taxing authority from school boards and introducing provincial oversight of the EPT system and uniformity in mill rates. The final option was the same as the third option, but added the possibility of flexibility if a local referendum produced consent for a discretionary levy by school

² The evaluative criteria are charted in conjunction with four policy options on pages 65 to 68 in the Reiter Report.

boards. The discretionary levy is a tool that is rendered worthless by its political unpopularity. This provision of voter approval for discretionary school board levies exists in British Columbia, and Alberta (Auld & Kitchen, 2006). School board use of the provision in these provinces varies from extremely rare to never. Policy option three and policy option four therefore offer the same outcomes. Three of the policy options shared the aim of achieving a 70-30 split between provincial and local revenues for education, with the exception of the EPT credit option which had the less ambitious funding ratio target of 55-45.

Two of the three policy options were politically feasible and possibly even advantageous for the Saskatchewan Party government. The EPT credit program was a year-by-year, temporary solution started by the NDP and continued by the Saskatchewan Party in 2008. The Saskatchewan Party had pledged to produce a long term solution during the 2007 election. The EPT credit program was the status quo, and was not going to satisfy stakeholders. The two options that were politically feasible and potentially advantageous included enhancing provincial general revenue funding of education. Implementation of a uniform provincial property tax mill rate, which would inevitably also include increased general revenue funding. The provincial government decision to opt for a 70-30 funding ratio was a given. The key difference was the implications of each approach for local autonomy. The question that remained was whether the provincial government would take over EPT authority and effectively control education funding, or whether school divisions would maintain discretion over EPT mill rates while receiving increased provincial transfers.

7.4 The Uncertain Transition from Consultation to Adoption

The policy adoption process was confidential and cautious. The completed report was transferred confidentially to the Minister of Education, Ken Krawetz, at the end of January. The

exact date the report was submitted is unclear, as a date is not included in the report. The government announced that it was planning to keep the report under wraps until after the provincial budget was unveiled (Mandryk, January 22, 2009). All indications are that its decision to do so was based on uncertainty whether it had the resources to implement some of the more costly options in that report. Besides exercising considerable discretion during the decision making process, the government began dithering on its commitment to introduce a long term solution to EPT in the provincial budget due to fiscal restraints (Wood, February 4, 2009). An economic recession and declining provincial revenues resulting from a drop in oil prices, was thinning out the coffers as the government began crafting its annual budget in early 2009 (Wood, February 13, 2009). Every reform option listed in the report of the Education Property Task Review required increased provincial spending. Two weeks prior to the release of the provincial budget, the government sent mixed signals regarding the level of financial resources it could direct to the education sector to achieve the reform objectives that it had articulated. In an attempt to temper the expectations of various stakeholders, Premier Wall said that the reform plan contained in the spring budget might not contain all that was expected, and Minister Krawetz said that although some property tax relief would be in the budget, a new policy with more extensive and long-term relief would likely have to wait (Wood, March 3, 2009).

An NDP MLA, Trent Wotherspoon, seized the opportunity to criticize and ridicule the Saskatchewan Party's emerging hesitation on major reform and its decision to keep Reiter's report confidential (Wotherspoon, March 3, 2009). The attitudes of participants at SUMA's annual convention reflected the impatience of advocacy groups who were concerned about the Saskatchewan Party's wavering commitment to reform (Hutton, February 5, 2009). The Saskatchewan Party's 16 months in power had thus far yielded short term tax relief, consultation,

and an ambiguous pledge to find a long term solution. Uncertainty hung over the government's commitment to a long term solution as provincial budget day rapidly approached.

7.5 From Review to Reform

The Education Property Tax Review report titled “A Decision for Our Future: Options for Long-term Educational Property Tax Relief” was eventually released after the tabling of the provincial budget. The government chose to adopt the third policy option contained in the report, which called for a provincially controlled EPT along with increased transfers from the provincial general revenue fund.

The provincial EPT funding option involved three components (Reiter, 2009). The main aim was to increase the portion of provincial general revenues directed to K-12 education to nearly 70% of the funding ratio. The strategy for achieving this aim was twofold. The government would implement a provincial EPT in order to gain control over mill rates. Second, the provincial government could then set EPT mill rates at a level that achieved EPT tax relief and funding ratio targets. The related measures identified by Reiter as necessary prerequisites for implementation included: Rebalancing tax incidence among property classes, the need for legislative amendments, factoring in the unique laws surrounding the separate school systems, and the requirement of enhanced ministry administration capacity to govern the new EPT responsibility (Reiter, 2009). At the heart of this policy option was clearly the centralization of education funding, which was a drastic departure from the status quo.

The analysis of anticipated positive and negative implications of adopting the provincial EPT funding option was included in Education Property Tax Review report. An overview of that analysis provides valuable insights on the political rationality and policy rationales that underpinned the recommendations and ultimately the policy decisions of the provincial

government. The evaluative criteria outlined in the previous section of this thesis were the foundation for the analysis of positive and negative implications. The positive implications anticipated for transferring authority for setting the mill rate for the EPT from the school boards to the provincial government included achievement of funding equity, provincial control of tax incidence on the various property classes, and the ability to meet commitments for education property tax relief (Reiter, 2009). Another positive implication was the likelihood of increased taxation equity as taxpayers would be paying the same mill rate in all areas of the province. Once adopted, an improved funding formula could be expected to result in more precise calculations of the size of the property assessment base and the level of expenditures of school divisions. Negative implications could also be anticipated. School boards would lose their authority to set mill rates for EPT and by extension their fiscal autonomy in revenue generation. Despite the loss of autonomy for school boards, a levy would continue to be imposed on the property tax base to fund education. Two other implications would arise for the provincial government. It would become accountable for ensuring administrative effectiveness due to its increased control of education funding. It would also become responsible for the adequacy of education funding, which might involve increases in property taxes or increases in provincial general revenue fund transfers.

7.6 Summary and Analysis

The Education Property Tax Review helped the new Saskatchewan Party government transition from the EPT policies of the NDP to the adoption of its own long term reform. Nevertheless, the period between the 2007 election and the 2009 provincial budget was marked by interim policies related to EPT, advocacy group positioning on the future of EPT, and the development of policy options by Reiter and his Education Property Tax Review team. The

interim policies extended the NDP's tax relief program for another year, and foreshadowed the Saskatchewan Party's willingness to impinge on local autonomy as it did on the issue of school closures. Advocacy groups remained active during the interim stage. The Education Property Tax Coalition developed a joint position of 75% provincial to 25% local funding, but SUMA and the Chamber of Commerce contradicted the unified position by calling for abolition of EPT. The Reiter report was instrumental in outlining information indicating the process, principles, and criteria that informed the review. These features shaped the policy options that were produced.

The policy options that were being considered during this particular period included continued EPT relief, increased provincial general revenue funding, a provincial uniform EPT, and a provincial EPT with local flexibility. Uncertainty arose as the Education Property Tax Review was completed and the 2009 budget drew near. An economic recession, and the government's decision to withhold release of Reiter's report, brought speculation that the 'long term reform' strategy would be delayed. The provincial government followed through on its plan in the end, choosing to adopt the option of a provincially-controlled EPT. The funding ratio for education would be brought to approximately 70% general revenue to 30% provincial property tax, which would be achieved through provincial control of mill rates and increased funding. Reiter's anticipated implications of the reform, framed in terms of policy objectives, included reduced local autonomy of school boards, increased taxation equity, improved equity in education funding, centralization of accountability, and complete provincial control over education funding levels.

The Education Property Tax Review and report clearly define the political rationality and policy rationales for major EPT reform. The policy rationale included the new policy objective of provincial financial responsibility for K-12 education as well as the expected policy objective

of substantial tax relief, which were among a list of principles that were expected to guide the Review. The policy objective of balanced funding was defined for most policy options as a 70-30 ratio of provincial to local sources, which in part reflects the political rationality of adopting a position that closely resembled the Education Property Tax Coalition's 2008 position of a 75-25 funding ratio. Political rationality was also central to eliminating one of the four policy options from consideration. Continuing the EPT credit program would have been politically unacceptable based on the repeated Saskatchewan Party pledge of major reform. The positive and negative implications identified in this chapter, and as derived from the Reiter report, demonstrate a weighing of policy objectives which came out in favour of objectives like education equity, tax relief, and provincial accountability. In order to attain these favoured policy objectives, it was deemed reasonable by the provincial government to sacrifice local autonomy and take on the burden of administrative responsibility and funding adequacy of the reformed EPT system.

In the next chapter, the details of EPT reform adoption and implementation will be discussed along with the impact of the reform on key stakeholders.

CHAPTER 8: ADOPTION, IMPLEMENTATION, AND IMPACTS OF EDUCATION PROPERTY TAX REFORM

On March 18, 2009 the Saskatchewan Party fundamentally altered an education funding system that had been in place since the founding of the province of Saskatchewan. With the changes, school boards would no longer retain authority to levy a tax on property owners in order to fund a portion of education budgets. Tax relief was a key outcome of the reform. The government announced the financial details of its plan and needed to adopt the legislation that enabled implementation. These technical details will be summarized in this chapter. The legislative debates between the NDP and Saskatchewan Party provide insight into the alignment each party had with advocacy groups. The Saskatchewan Party produced favourable outcomes for ratepayers, while the NDP defended school boards.

The Education Property Tax Coalition fragmented with the introduction of EPT reform. The reactions of the Coalition members varied widely, demonstrating the shaky foundation of the alliance. The force of the EPT reform had an impact on the key stakeholders. In the last section in this chapter, the important implications for school boards, the provincial government, municipal governments, and ratepayers due to EPT reform will be discussed. This chapter represents the culmination of key initiatives and reforms that preceded major reform by examining elements of the EPT reform initiative of 2009.

8.1 Legislative and Budgetary Facets of Education Property Tax Reform

The most significant component of the provincial budget of 2009 was the provision for EPT reform. Long term property tax relief was the message emphasized by the government. The provincial government dubbed the action, the “largest education property tax cut in history” (Government of Saskatchewan, March 18, 2009). A commitment was made to reduce EPT by \$103 million, resulting in a property tax reduction of 14% (Ministry of Education, 2010). The

EPT cut would be paired with an increase in provincial transfers for education of \$241 million. The funding ratio would immediately shift from 51-49 provincial to property tax revenues, to 63-37 provincial to property tax revenues. A commitment was made to further reduce EPT by \$53 million in 2010, altering the funding ratio to 66-34 provincial revenues to EPT (Government of Saskatchewan, March 18, 2009). The shift in authority produced by EPT reform meant that the long-time FOG education funding formula would need to be replaced. The government pledged to work with education stakeholders to develop a new funding system by 2011-12 (Ministry of Education, March 18, 2009). This would require a round of consultations with the SSBA.

The Saskatchewan Party government's policy required statutory amendments. The statute governing education funding, and most other features of the education system in Saskatchewan, is the *Education Act, 1995*. The EPT reform required repeal of clauses in the *Education Act, 1995*, as well as introduction of new clauses to establish the new EPT authority of the provincial government. The legislative amendments that were implemented to enable EPT reform are a technical but critical stage in the reform process. The first major statutory vehicle for EPT reform was *The Education Amendment Act, 2009 (No. 3)*, introduced as Bill 89 during the spring session of the 2009 legislature. The Act provided the necessary authority for the provincial government to set mill rates for EPT and for school boards to receive the EPT taxes from the municipal governments who would continue to collect them (Ministry of Education, March 18, 2009). The Act was passed on April 1st and received royal assent on May 14th. It was melded into the *Education Act, 1995* as Chapter 15. The provisions of Chapter 15 are woven into Part VI, entitled "Finance", of the *Education Act, 1995* under the sub-heading "Taxation" (Government of Saskatchewan 1995). Topics such as the setting of tax rates, collection of taxes by municipalities, and transfer of taxes to school divisions are contained in clauses 284 through 309.

The second major legislative vehicle for EPT reform was *The Miscellaneous Statutes (Education Property Tax) Repeal and Amendment Act, 2009*, which was introduced as Bill 90 in the spring session of the 2009 legislature. The move towards provincial control of EPT made the EPT credit program redundant. *The Miscellaneous Statutes (Education Property Tax) Repeal and Amendment Act, 2009* repealed *The Education Property Tax Credit Act*, as well as making amendments to municipal legislation to facilitate the adjustments being made in tax setting, tax collection, and tax redemption. The *Education Property Tax Credit Act* was the legislation introduced in 2005 that enabled the EPT credit program to provide relief to commercial, residential, and in a greater measure, agricultural ratepayers during the tax years 2005 through 2008. The force of the new EPT legislation would be retroactive to January 1, 2009, providing seamless EPT policy.

8.2 The Education Property Tax Reform in the Legislature

The motive for reform was based on specific policy rationales advocated by the Saskatchewan Party government. Three justifications introduced by the government since the 2007 election campaign had been used to sell the EPT reform in the Legislature. The three policy rationales for EPT reform that Finance Minister Rod Gantefoer referenced during tabling of the 2009 budget included: 1) a fair balance of revenue streams for education funding; 2) proper funding, or in other words an adequate level of funding, for K-12 education; and 3) significant reduction of education property taxes (Gantefoer, March 18, 2009). Proper funding speaks to the value of adequacy. The tax equity and education equity rationales discussed in Reiter's report could be accounted for in the pledges for a fair balance of funding and tax relief. Noticeably absent was discussion about the shift to provincial accountability, or the elimination of local autonomy. These loose threads were picked up by the NDP during the budget debate.

In the spring of 2009, Premier Wall and former premier Calvert debated EPT reform in the Legislature. Calvert took the position that the Saskatchewan Party government lacked transparency in the process of reform by keeping school boards, and any other interested party, ignorant of the nature of the reform that would be adopted until legislation was tabled (Calvert, March 26, 2009). He expressed indirect support for school board autonomy when he said that the Saskatchewan Party “neutered the duly elected school trustees of Saskatchewan from their ability to tax” (Calvert, March 26, 2009, p. 2571). The focus of Calvert’s argument was that the relationship between the provincial government and school boards had been undermined both by the process and the substance of the EPT reform. Wall responded that his loyalties lay with other stakeholders on the issue. Specifically, Wall argued that the best interests of pupils and property tax ratepayers were his priority (Wall, March 26, 2009). The argument that a centralized education funding system is in the best interests of pupils is debatable because of the impact of reform, but the benefit to property tax ratepayers is clear. In essence, the NDP was expressing support for school boards and the Saskatchewan Party was expressing support for property tax ratepayers. The school boards and ratepayers had their own positions on the EPT reform.

8.3 The Advocacy Group Reactions to Education Property Tax Reform

The magnitude of change produced by EPT reform provoked a swift response from key advocacy groups. Clear positions were articulated by SARM, SUMA, and the SSBA immediately after the policy change was announced. The Saskatchewan Teacher’s Federation (STF), an organization that had been quite restrained in its public advocacy activities on this issue, also stepped into the forum to articulate a position on EPT reform.

Municipal and business organizations approved of the reform, while SARM was outright enthusiastic about the change. SARM president David Marit dubbed it the “best budget for rural

Saskatchewan in history” (SARM, March 18, 2009). The enthusiasm was based on the agricultural class tax relief afforded by EPT reform. SARM was also pleased with the injection of funds achieved through the new Municipal Operating Grant system. SARM was sufficiently satisfied with the reform to declare that their longstanding criticism of an education tax on property had been “addressed” (SARM, 2009). The provincial government’s intervention on EPT actually went further than SARM was demanding. The organization had been seeking property tax relief through its Education Property Tax Coalition position, but did not ask for a provincially controlled mill rate (D. Harvey interview, 2011). The uniform provincial mill rate provided certainty that EPT mill rates would only go up if the provincial government wanted them to. SUMA’s response to the budget was similar to SARM’s but less enthusiastic. Tax relief was welcomed, as the lower property tax rates were trumpeted by SUMA as crucial for attracting business investment and new residents to cities and towns (The Southwest Booster online, March 19, 2009). Like SARM, SUMA was also excited about the new Municipal Operating Grant Program. The Saskatoon Chamber of Commerce sided with the municipal governments in welcoming EPT reform. Jamie McIntyre, President of the Chamber, regarded the reform as a “considerable step forward on a long ignored file”, which was “essential if we are to become property tax competitive with other jurisdictions in Canada” (The Chamber, March 19, 2009). Endorsement of EPT reform by the Chamber was quickly followed by criticism that more must be done to relieve property taxes for businesses in order to create a positive investment climate.

School boards and teachers registered criticisms and some mixed feelings about the reform. The mild position on EPT funding matters by the Saskatchewan Teachers’ Federation (STF) elevated a bit after EPT reform. The STF was “cautiously optimistic” about EPT reform when the provincial budget was released (STF, March 18, 2009). The main concerns of the STF

were that education funding remained adequate and equitable for all divisions. With the injection of \$241 million in provincial transfers, along with a uniform mill rate, both of these objectives could be expected to be achieved for the 2009-10 budget year. The organization made a veiled criticism of the province's move to takeover mill rates, when it took the position of 'watching to see that local decision making for school boards continued to be respected' (STF, March 18 , 2009). This ambiguous statement ignored the reality that local autonomy of school boards was crippled by the reform. The SSBA took a similar stance on local autonomy that demonstrated its surprising willingness to surrender control of setting EPT mill rates without a fight. Education Minister Krawetz was diplomatic in his explanation of the government's decision to reform. He said it was a hard decision to implement EPT reform, because school boards wanted to retain autonomy to set mill rates (The Southwest Booster online, March 19, 2009). Krawetz's statement on the value of local autonomy to school boards was arguably stronger than the SSBA's own position. Roy Challis, President of the SSBA, offered a three-point response to the EPT reform (The Southwest Booster online, March 19, 2009). First, he acknowledged there was concern that local autonomy would be impacted. Second, he would be consulting with member school boards, the Minister of Education, and the SSBA executive before formulating a complete response. Third, the SSBA would hold the government accountable for the promise that the new funding method would preserve adequate and predictable funding. When compared to the aggressive tactics and rhetoric used by SARM to push for EPT tax relief after the 1997 reassessment, it is hard to ignore the submissive and tentative nature of the SSBA's comments during an unprecedented usurpation of its authority.

8.4 The Impact of Reform on Key Stakeholders

The EPT reform had an important impact on the major stakeholders of the initiative. The impact was felt in the relationship between the provincial government and school boards, with special circumstances for separate school boards, as well as notable impacts on municipal governments and ratepayers.

8.4.1 The Provincial Government and School Boards

EPT reform had profound impacts for the relationship between the provincial government and school boards. The impact was realized in two ways. First, the shifting of authority over mill rates changed the power relationship between school boards and the provincial government. The education funding partnership between school boards and the provincial government that was established in 1905 was fundamentally altered when school boards lost the authority to levy property tax and the provincial government became fully accountable for education funding. The provincial government became politically responsible for setting low, equitable tax rates, and providing adequate and equitable education funding to school boards. With the loss of taxing power, school boards would need to jockey amongst a variety of competing interests in order to lobby for and achieve adequate funding from the province (Challis, November 30, 2009). EPT reform was also anticipated to impact public support of school boards. It was expected that the loss of local autonomy for school divisions would result in a deterioration of public engagement with school board processes (SUMA, June, 2009). Another challenge for school boards was the uncertainty and inflexibility of the interim funding policy that was adopted while a new formula was being designed to replace the defunct FOG funding system. A new formula was expected to be adopted by the 2011 provincial budget, but this pledge was broken due to government delays. The funding policy remains in an interim stages two years after reform, with the new formula

expected in the 2012 provincial budget. Finding a new formula that meets the aims of adequacy, accountability, equity, and various other policy objectives has proven to be a difficult task. Issues of education funding adequacy have emerged since introduction of the interim policy. The interim funding policy was designed to cover teacher salary requirements and inflation, but otherwise froze school budgets at 2008-09 levels (Ministry of Education, March 18, 2009). Without control over their budgets, school boards were greatly hindered in their ability to secure funds for local needs, and they were also hindered in their ability to raise extra funds if they deemed provincial General Revenue Fund transfers or EPT allocations as inadequate. On a related issue, defenders of EPT reform argued that a uniform mill rate would correct perceived inequities that had developed under the FOG. During the spring of 2011, it emerged that funding equity may not have been achieved after EPT reform. Petitions were presented in the legislature which claimed that Regina separate schools were receiving \$275 less per pupil than public schools (Morin, May 19, 2011).

The challenges of education funding equity and adequacy during the interim period have arisen due to the need for the provincial government to balance the fiscal realities of competing budgetary demands and fluctuating revenues with its aim of EPT cuts and adequate education funding. The second impact of EPT reform on the relationship between the provincial government and school boards was therefore fiscal. To fulfill the aims of its EPT reform program, the provincial government needed to inject large sums of General Revenue Fund monies during the 2009 provincial budget, in the 2010 provincial budget, and into the future to produce a long term solution for the education funding ratio and the lower EPT mill rates that lead to tax relief. With school boards now dependent on the provincial government to meet its funding requirements, tensions have risen whenever budget making has been undertaken. In

2010, the planned second phase of tax relief through lowered mill rates was stalled due to inaccurate potash revenue predictions. This setback also tightened school board budget allocations from the provincial government. The SSBA advocated a position that urged stability in education funding. President Sandi Urban-Hall said, “school boards don’t want their funding levels to be at the whim of the rise and fall of commodities such as potash” (Hall, December 15, 2009). The funding allocated to K-12 education in the 2010 provincial budget did not meet the SSBA’s expenditure projections for the 2010-11 school board fiscal year. The funding shortfall would need to be made up through school board budget cuts, delayed maintenance projects, or by tapping reserve funds (Stewart, March 25, 2010). The 2011 provincial budget offered much of the same for education funding, as budget increases were confined to inflation.

8.4.2 Separate School Boards

The unique impact of EPT reform on the separate school system added a further dimension of complexity to the challenges between the provincial government and school boards. Separate school divisions have been afforded constitutional protection of their taxing authority through section 93 of the Constitution Act (1867). This legal protection was circumvented by the provincial government during EPT reform implementation through manipulation of the provincial transfers to separate school boards. The provincial government made it clear that “the rates set by minority-faith boards of education must be in the same proportion by property class as government rates or their provincial grant allocation will be adjusted to ensure school division equity is maintained” (Government of Saskatchewan, 2009). The provincial government sought to ensure that separate school boards would not receive extra revenue if they raised mill rates above the uniform provincial rate. The province could enforce this policy by lowering provincial transfers by a proportionate amount to any increase in mill

rates. This meant that *legally* the Catholic school boards retained taxing authority, but *effectively* they no longer had control over their own revenues. All separate school boards opted in 2009 not to levy their own mill rates during their three year term (Government of Saskatchewan, 2011). The issue will be revisited after the next school board elections in October of 2012. Public school divisions do not enjoy constitutional protection, and therefore taxing authority could be legally and effectively revoked through the legislative amendments described earlier in this chapter.

8.4.3 Municipal Governments

Compared to the impact on school boards, the role of municipal governments in the new system was largely the same as before reform (Ministry of Education, March 18, 2009). Most importantly, municipal governments maintained the ability to levy a property tax. The municipalities would also continue to collect the education portion of property tax and remit it to the local school board. The main change was that the tax would now be collected on behalf of the provincial government's mill rate. The uniform mill rates meant that mill rate factors would no longer be applied to the EPT. The issue of vacated property tax room was not addressed directly, but indirectly. *Tax room* is the idea that tax cuts made by one taxing authority, like the provincial government did with lowered EPT mill rates, will proportionally open up room for another property taxing authority, in this case municipal governments, to raise their mill rates without affecting overall tax levels. Municipalities were given \$266 million in financial assistance, or 90% of one percentage point of PST at the time of EPT reform (Government of Saskatchewan, March 18, 2009). An injection of this sum of cash to the municipal sector had the political effect of keeping municipal mill rates in check, so that these local governments would not invade the new property tax room created by EPT cuts. The promise to boost the new funding to 100% of one percentage point of PST further restricted the political ability of

municipalities to claim that they needed to raise property tax mill rates to meet funding requirements.

8.4.4 Property Tax Ratepayers

The EPT reform was a major victory for property tax ratepayers. The ratepayers of every property class had two major concerns regarding EPT during the period preceding the 2009 reform. First, they lobbied the provincial government for an adjustment to the education funding ratio. In 2005, the ratepayer representatives in the Education Property Tax Coalition joined the other members of the coalition in demanding that the provincial government produce a funding ratio of 60-40 provincial to local funds for education. For ratepayers, the aim of adjusting the funding ratio was desirable because it would lead to tax relief through lesser reliance on education property taxes to fund education. The funding ratio was a means to an end. That end was tax relief, which was the second, yet, main concern of ratepayers. The impact of EPT reform on tax rates and equity was immediate and clear. The agricultural class received the highest level of relief which helped address the equity issue. The Saskatchewan Party implemented a tax cut of 64.4% for the agricultural class, 8.34% for commercial property, and 27.8% for residential properties. The impact on the funding ratio was equally as clear. The funding ratio was immediately adjusted from 51-49 provincial to local funds, to a 63-37 ratio, with the aim of achieving a 66-34 ratio of provincial to local funds by 2010, which ended up being achieved in 2011 instead. Ratepayers were the major beneficiaries of EPT reform, as is clear from the changes to tax rates and the funding ratio. The positive impact for ratepayers was immediate and enduring.

8.5 Summary and Analysis

The Saskatchewan Party trumpeted the move towards a uniform provincial EPT as producing the largest EPT cut in history. The change also produced immediate shifts in the education funding ratio. The provincial portion of education funding compared to education tax portion was shifted from 51-49 to 63-37, with a 66-34 ratio promised by 2010, but achieved in 2011. The changes to taxing authority and funding ratios gained statutory force with the adoption of *The Education Amendment Act, 2009 (No. 3)* and *The Miscellaneous Statutes (Education Property Tax) Repeal and Amendment Act, 2009*. The NDP criticized the reform process as lacking transparency, and even more importantly, criticized the reform outcome as undermining school board autonomy. The Saskatchewan Party defended the changes as in the best interests of ratepayers. The substantial tax cuts for agricultural ratepayers, and notable tax cuts for other ratepayers, affirm the government's claim that ratepayers clearly benefitted. When the 2009 reform was adopted, the Education Property Tax Coalition polarized and fractured. SARM, SUMA, and the Saskatchewan Chamber of Commerce welcomed the changes, with SARM the most enthusiastic and the Chamber the most reserved in its response. The SSBA was concerned about the loss of school board autonomy and the resulting vulnerability it would produce in achieving predictable and adequate funding. Similarly, the STF was concerned about the loss of school board autonomy, but was also optimistic that funding adequacy and equity were expected to be improved by the changes. The EPT reform had varying impacts on the main stakeholders. Municipal governments were enticed by the provincial government with a new funding deal in order to keep from filling the vacated tax room created by the EPT cuts. The role of municipal governments in administering the property tax system or levying mill rates was otherwise left unaltered. The impact on the relationship between the provincial government and school boards

was twofold. The power relationship between the two bodies was transformed through changes in taxing authority, and the fiscal demands of EPT reform strained government's coffers and the school boards' budgets. Further, the constitutional protection of taxing authority for separate school boards was circumvented by the provincial government through manipulation of transfers to bring funding levels in line with the public system. Ratepayers experienced the greatest benefit as a result of the EPT reform. The demand to shift the funding ratio was met, and substantial tax relief was provided to all ratepayers, with the greatest benefit being received by agricultural producers.

In some cases, an explicit policy rationale was adopted by the provincial government for the 2009 EPT reform, but in other cases, political rationality and policy rationales were more implicit within the reform process and outcomes. The provincial government clearly stated its policy rationale was based on achieving the policy objectives of a new balance of funding for education, adequate funding of education, and significant tax reduction. Implicit in this rationale is that trade-offs amongst policy objectives were necessary including the usurpation of school board authority over mill rates and the need to bring in a temporary education funding policy until a permanent funding formula could be negotiated. Also implicit in the provincial government's policy rationale is that provincial accountability for education funding, and the increased fiscal demands placed on the provincial government to achieve its goals, were necessary trade-offs in order to achieve its explicit policy objectives. Political rationality was also implicit in the government's decision making. The decision to introduce provincial control of EPT mill rates was based on the aim of providing assurances to agricultural producers, and other ratepayers, that their tax relief would not be later undermined by school boards raising mill rates. Political rationality was also evident in the decision to avoid negotiating a new funding

formula while trying to implement tax relief. The negotiations would have brought scrutiny of reform policy options and consultation requirements for the whole reform package, which would have threatened the tax relief objective that was being prioritized. Political rationality was also a key factor in its decision to introducing Municipal Operating Grants at the same time as EPT reform. The boost in funding for municipalities created a political restriction, due to the expectations of ratepayers, on the ability of municipalities to invade the new tax room opened by EPT relief.

CHAPTER 9: CONCLUSION

9.1 Purpose of Chapter

The purpose of this thesis has been to examine the education property tax reforms undertaken by successive NDP and Saskatchewan Party provincial governments from 1997 to 2011. The research question posed at the beginning of the thesis was: why did these provincial governments implement these reforms? This question has been addressed by using a rational choice approach that directed the analytical focus to the political rationality and policy rationales of the NDP and Saskatchewan Party governments. Political rationality hinged on the self-interest of provincial governments in gaining and maintaining electoral support amongst key advocacy groups by adopting the preferred combination of preferences of these groups. Policy rationales hinged on choosing reforms that maximized the achievement of the provincial government's preferred combination of policy objectives. In the consideration of both advocacy group preferences and policy objectives, the provincial government had to make some trade-offs.

The remainder of this chapter consists of several sub-sections devoted in turn to providing a summary of the findings regarding the key features of the reforms implemented by each provincial government in Saskatchewan, the determinants that shaped the reforms, the political and policy implications of the reforms, and suggestions for further research.

9.2 An Overview of the Reforms

The NDP and Saskatchewan Party governments each implemented reforms to education funding and the property tax system as it relates to education property tax. The three NDP governments implemented four significant reforms during a ten-year period. The first reform was the property tax reassessment of 1997 that updated property values for the first time since 1965. Total taxable assessment rose by 363.97%, with the biggest shift in tax burden for rural

municipalities at 483.33%. The second reform was the Farmland Property Tax Rebate program for the 2000 and 2001 tax years, which provided \$50 million in tax rebates for the agricultural property class. Thirdly, mandatory amalgamation of school divisions was adopted as a policy in 2004 and completed by 2006, which resulted in school divisions being reduced from 81 to 28. The fourth reform implemented by the NDP was the EPT credit program that cut agricultural class EPT by 8% in 2005, and 38% in 2006 and 2007. The program also provided tax credits that cut EPT for all other ratepayers by 8% to 10% from 2005 to 2007 subject to a \$2500 cap for the commercial and industrial property classes.

The Saskatchewan Party government that was elected in 2007 implemented three reforms during its first term in office. The EPT credit program established by the NDP was extended and boosted to a 47% tax cut for agricultural ratepayers and 12% for all other ratepayers. The second and third reforms were part of the major changes introduced to the education funding system in 2009. The authority over setting EPT mill rates was shifted from school boards to the provincial government, and the FOG funding system was suspended in favour of a temporary funding arrangement that froze school board budgets at 2008-09 levels. These reforms allowed the provincial government to provide an immediate 14% EPT cut of 2008 EPT levels through lowered mill rates. The 2009 reforms also immediately shifted the education funding ratio to 63-37 from 51-49 provincial transfers to local taxes. The adoption of a new education funding formula will represent a fourth reform by the Saskatchewan Party government. A new formula is expected to be unveiled in the 2012 provincial budget.

9.3 The Determinants of Reforms

Political rationality and policy rationales are integral components of the rational choice theoretical approach that is used in this thesis. Two key determinants, and a set of other

important determinants, explain why the NDP and Saskatchewan Party governments implemented the education funding and property tax reforms that have just been summarized. These determinants are derived from the political rationality and policy rationales of these governments.

9.3.1 Political Rationality as a Determinant of Reforms

The first determinant of the reforms examined in this thesis is political rationality. The key political determinant of these reforms was the high level of influence wielded by agricultural advocacy groups over the reform agenda of the provincial governments through various means. Advocacy groups like SARM, the Agricultural Producers of Saskatchewan, and the Tax Action Group utilized a variety of effective lobbying strategies such as tax revolts, petitions, rallies, coalition-building, policy papers, policy resolutions, and contact with high level decision makers, in order to put sustained and intense pressure on the provincial government to produce reforms. This high level of influence yielded the greatest benefit for the agricultural sector amongst all of the sectors involved in the EPT system. This benefit came in form of significant EPT relief. The political rationality of the two provincial governments was to try to manage this demand in the case of the NDP, or solidify the political support from this sector in the case of the Saskatchewan Party.

The NDP at times stoked the fires of agricultural ratepayer discontent and at other times responded with reforms aimed to satisfy the influential agricultural advocacy groups. These reforms were deemed too slow, too weak, or too late by the agricultural sector in most cases. The reassessment had the effect of upsetting agricultural ratepayers due to the increased EPT burden that shifted to them. The NDP policies of an agricultural percentage of value and agricultural tax factor were designed to soften the blow of reassessment, but were deemed inadequate by SARM.

The Farm Land Property Tax Rebate was only a temporary fix, and the EPT credit program came too late to win rural support in the 2007 election. Despite the possibility of efficiencies and funding equity being produced due to mandatory school division amalgamation, this policy was also unpopular amongst agricultural producers as it corresponded with school closures that were concentrated in rural Saskatchewan. The NDP lacked the political will to reform the school boards' taxing authority after having expended the political capital required to achieve mandatory amalgamation. The chosen reform policy of an EPT credit program limited the government's ability to reduce EPT for agricultural ratepayers because school boards still had the ability to raise mill rates. The NDP also struggled to attain the financial resources necessary to provide the level of sustained or even increased tax relief being sought by the agricultural property class. The fiscal dimension is evident in the policy of linking EPT relief with a better federal equalization deal. The NDP did nevertheless make some progress on the tax relief and equity demands of SARM and other agricultural advocacy groups.

The Saskatchewan Party was more closely aligned with the objectives of the agricultural advocacy groups as it had built its electoral support off a strong rural base. The party was therefore more inclined to adopt the preferences of the agricultural advocacy groups in order to solidify this base. The Saskatchewan Party alignment with the agricultural sector ensured that the critical stance of agricultural advocacy groups toward provincial policies and reforms would turn to support for the changes being promised by the new government. The extension and boost of the EPT credit plan in 2008 provided a satisfactory stop gap policy for agricultural advocacy groups, while the appointment of former SARM Board Director Jim Reiter signalled that agricultural interests would be well represented in the consultation and policy adoption stages of major reform. The agricultural property class was clearly the biggest winner from the major tax

cut and reform of mill rate authority introduced in 2009. By the time the second phase of tax relief was introduced in 2011, the agricultural property class taxes had been cut by 80% by the Saskatchewan Party government (Government of Saskatchewan, March 9, 2011). SARM announced that its long time grievance regarding EPT on agricultural land had been addressed.

A second determinant that can be derived from a political rationality analysis is the role of advocacy groups from other key sectors in pressuring the provincial government to produce EPT reform. The major influence of the agricultural advocacy groups was strengthened by the notable influence exercised by advocacy groups from the municipal, education, and business sectors. The pressure applied by this broad coalition of interests was another determinant of the reforms. The formation of the Education Property Tax Coalition in 2005 was an important development in this regard. A consensus developed among a broad coalition of advocacy groups from the key sectors involved in EPT that a larger portion of education funding needed to come from provincial general revenues. The preferred combination of policy objectives among these advocacy groups were not always congruent despite adoption of a joint position on the issue of rebalancing funding between the two main sources of revenue. The SSBA sought education funding equity and adequacy, but also wanted to protect its autonomy in raising local funds. Municipal and business advocacy groups shared the policy objectives of the agricultural advocacy groups of tax relief and tax equity. The ability of these groups to work together on a common policy objective of increased provincial general revenue transfers for education helped agricultural ratepayers in particular, and to a lesser extent other ratepayers, inform the provincial government's political rationality that it should adopt the ratepayer-linked advocacy groups' preferred policy objective of tax relief in part through larger transfers for education funding.

Another notable determinant of reforms was the political rationality involved in managing tactical political considerations for the sake of winning and maintaining electoral support. In many instances, the provincial government was motivated to engage in particular initiatives or reforms in order to deflect criticism or gain political credit for positive results. The Boughen Commission initiative of the NDP deflated EPT reform as a controversial issue for the provincial government during a tight election campaign, which enabled the party to avoid negative criticism of its political record. The Saskatchewan Party demonstrated a similar political rationality in its handling of the Education Property Tax Review. The discreet nature of the Review process helped the Saskatchewan Party government avoid media and advocacy group scrutiny and interference in its reform plans. Similarly, it can be posited that the Saskatchewan Party delayed negotiation of a new funding formula in order to ensure that the possibility of a negative response to a new formula would not interfere with the priorities of gaining provincial control over EPT in order to achieve tax relief and tax equity. Political considerations were also at the forefront of the NDP's decision to link EPT relief with federal equalization payments, which enabled the party to deflect criticism of its perceived slow response to EPT relief demands. The Saskatchewan Party also strategically shifted political responsibility to another level of government when it decided to increase municipal transfers at the same time as its EPT cuts. The strategy was to shift political responsibility over any property tax increases onto municipal governments should they decide to fill in the tax room created by EPT reform, as the increased transfers would signal to voters that municipal governments should not have to raise property taxes to meet their revenue requirements.

9.3.2 Policy Rationales as a Determinant of Reforms

The second determinant of the reforms examined in this thesis is policy rationales. A key policy rationale of both provincial governments was that selection of the policy objectives of a reform involved trade-offs. In particular, it was necessary to sacrifice the policy objective of school board local autonomy in favour of strengthening other policy objectives that were being sought through reforms. Collectively, the package of reforms introduced by the NDP government between 1997 and 2007 had the effect a small loss of school board local autonomy and a small gain in achieving other policy objectives. By contrast, the Saskatchewan Party government's reforms had the effect of a large loss of school board local autonomy and a large gain in achieving other policy objectives. Both of these governments sought to achieve the policy objective of changing the balance of funding sources for education towards lesser reliance on EPT. The nature of this balance helps explain the trade-offs required to achieve reform.

A key determinant of reforms was a policy rationale held by the NDP and Saskatchewan Party governments. Both governments adopted the policy rationale that it was necessary to make policy objective trade-offs. The reforms were somewhat similar in outcome for both the NDP and Saskatchewan Party governments but differed in degree due to this policy rationale. For the NDP government, mandatory amalgamation represented a trade-off of the education funding policy objectives of local autonomy and funding equity, with the former being weakened and the latter being strengthened by the increased size of school divisions. The 1997 reassessment, the Farm Land Property Tax Rebate program, and the EPT credit program prioritized the policy objectives of tax equity and tax relief. These reforms had little impact on school board local autonomy because of the use of tax credits to achieve tax relief. The 2009 EPT reform package implemented by the Saskatchewan Party government represented a more profound trade-off

between local autonomy and other policy objectives. Tax relief and tax equity were prioritized, while funding equity and adequacy arguably had the potential to improve depending on the new funding formula that will be created for education. Local autonomy was significantly undermined because of the strategy of using provincial control of mill rates to achieve tax relief and tax equity, as well as arguably achieving other policy objectives like funding equity and adequacy.

Integral to the policy rationale of accepting trade-offs was the policy objective of finding a new balance of funding streams for education that favoured heavier reliance on provincial transfers. The balance of funding streams between local and provincial sources was determined by choosing a balance of policy objectives. Increased provincial general revenue transfers would lead to achievement of the policy objectives of tax relief, tax equity, and education funding equity because reliance on the EPT to fund education is decreased and local variance in property tax assessment base has less impact on equity objectives. On the other hand, the use of some EPT to fund education helped achieve other policy objectives up until major reform was introduced in 2009. Before the 2009 reform, access to the EPT allowed school boards to exercise local autonomy by raising the revenues that they saw fit for responding to local needs. After the reform of 2009, EPT served the more basic function of limiting the fiscal burden of education funding for the provincial government by providing a stream of revenue for school division budgets other than general revenue transfers. Simply put, before major reform occurred in 2009 the policy objective of local autonomy was tied to school board access to some EPT, while the achievement of policy objectives like tax equity, tax relief, and funding equity was tied to provincial transfers for education. The degree of change to the balance of funding demanded a corresponding degree of policy objective trade-offs. The EPT credit program implemented by the

NDP had helped shift the funding ratio to 50-50 by the time the Saskatchewan Party extended the program in 2008. This reform involved no major trade-off, but achieved only a small gain in changing the balance of funding. The Saskatchewan Party produced a more significant change in the balance of funding of 66-34, and did so by making a more profound trade-off in policy objectives.

The findings of this thesis regarding the determinants that shaped the policy decisions of successive governments are consonant with the fundamental assumptions of the rational choice approach regarding political rationality and policy rationales. Regarding political rationality, the reform decisions of provincial governments were heavily influenced by the preferences of the most powerful advocacy groups. Similarly, regarding policy rationales, the governments were implementing policies based on an assessment of the relative merits of a series of policy objectives. Moreover, confronted with a multiplicity of policy objectives that were not entirely reconcilable, the provincial governments were constrained to make trade-offs among policy objectives.

9.4 The Political and Policy Implications of Reforms

All reforms have had important political and policy implications for the current and future state of EPT and education funding policies. The political and policy implications of the reforms are discussed in turn below. This includes the political implications for provincial relations with the key sectors involved in this policy area, and the implications for policy objectives relating to the education funding system and property tax system.

9.4.1 Political Implications for Provincial Government Relations with Key Sectors

The political rationality of the provincial government has shaped the political implications of reforms. In order to sustain the political support that has been gained by the

reforms, particularly those introduced in 2009, the Saskatchewan Party government will need to take certain actions and resist other actions that pertain to the agricultural, municipal, business, and education sectors. The provincial government must keep EPT mill rates at the current lowered level in order to maintain its high level of political support from the agricultural sector, and moderate level of support from the business and municipal sectors. The provincial government also needs to continue providing financial incentives like the new Municipal Operating Grant program in order to maintain political support from the municipal sector while achieving the policy objective of keeping municipal governments from invading the tax room opened up by lowered EPT mill rates. Regarding the education sector, the provincial government must continue to meet the demands of increased General Revenue Fund transfers required by the new education funding policy in order to maintain or build its political support amongst the education sector, while negotiating a new funding formula that provides adequate and equitable education funding for school boards in the future.

9.4.2 Policy Implications for the Education Funding and Property Tax Systems

The policy rationales that the provincial governments adopted in implementing their respective reforms have implications not only for its current policies but also for future policies. These implications pertain to the policy objectives of the education funding dimension of this issue (e.g., balanced funding, funding equity, funding adequacy), and the property tax dimension of this issue (e.g., tax equity, tax relief).

Three significant implications for the provincial education funding policy objectives emerge due to the policy rationales adopted by the provincial government. First, the policy objectives achieved by EPT reforms are short term, due to the lack of a new funding formula. The new balance between local and provincial sources, the current perception of funding

adequacy, and the current perception of funding equity will all be replaced with new standards when the new funding formula is implemented. Second, if the new funding formula does not meet the policy objectives of funding adequacy and funding equity, then these policy objectives of the education sector will join local autonomy as being undermined by the tax equity and tax relief objectives of the 2009 reforms. Finally, the local autonomy of school boards is vulnerable to being further diminished if the provincial government decides to adopt a more conditional approach to funding transfers.

The implications for the property tax system policy objectives of tax equity and tax relief should also be considered. The tax equity and tax relief achieved by the agricultural sector is only sustainable as long as provincial EPT mill rates remain at current levels and rural municipal governments do not invade the tax room opened by lower EPT mill rates. Tax relief for property classes such as the residential property class and commercial property class, though this tax relief is smaller in scale, is subject to the same considerations as the agricultural sector but relate more to the relationship between the provincial government and urban municipalities.

9.5 Suggestions for Further Research

The scope of this thesis was narrowed to some specific features of the EPT reform issue primarily from 1997 to 2011. The focus was on the provincial government's choice of policy objectives that comprise a policy rationale, and the political rationality involved in adopting advocacy group preferences. More research must be done in this area. The creation of a new funding formula will need to be researched in order to develop a more complete picture of the Saskatchewan Party's reform legacy. The formula is expected to be introduced in 2012. An education policy approach focussing on finances and budget numbers would be useful to provide a quantitative dimension to research in this area. The quantitative research could focus on

assessing the budget cuts, tax hikes, or new revenues that are found in order to meet the final financial requirements of the 2009 EPT reform. A more normative approach to the issue based on administrative values or policy objectives such as quality of education would be useful in informing policymakers of the best way to move forward in the funding of education and provincial access to the property tax base.

Comparative research is also needed. This should include comparative research on the policies and politics of financing major Government of Saskatchewan portfolios like education, health, and municipal government, which could develop a more complete understanding of provincial fiscal decision making and how it effects relations with local governing bodies and boards. Inter-jurisdictional comparative work should also be considered. The policies and politics of education funding among Canadian provinces could be researched, and comparative work could also be done at the international level.

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